AREAWIDE AMI

JOINT OPERATING AGREEMENT

Effective 16th day of September, 2008

Brooks Range Petroleum Corporation
as Operator

and

AVCG, LLC
TG World Energy, Inc.
Ramshorn Investments, Inc.
Brooks Range Development Corporation (formerly Bow Valley Alaska Corporation)
as Non-Operators

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THIS AGREEMENT is entered into as of the 16th day of September, 2008, by and among Brooks Range Petroleum Corporation, as Operator, and AVCG, LLC, TG World Energy, Inc., Ramshorn Investments, Inc., Bow Valley Alaska Corporation, as Non-Operators, and any other Parties who have signed the original of this Agreement, a counterpart hereof or other instrument agreeing to be bound by the provisions hereof.

WITNESSETH:

WHEREAS, the Parties hereto own undivided interests in the oil and gas lease(s) described and identified in Exhibit A, depicted on the plat attached as Exhibit B; and

WHEREAS, the Parties desire to provide for exploration and development Operations on said lease(s) within the Subject Lands and to define their respective rights and obligations with respect to the conduct of such activities; and

WHEREAS, the Parties intend for this Agreement to apply to the Subject Lands whether or not such lands are committed to a Unit Agreement.

NOW, THEREFORE, in consideration of the mutual agreements herein contained, it is agreed as follows:

ARTICLE 1: DEFINITIONS

Definitions. Whenever the following terms are used in this Agreement, they shall have the meaning stated in this ARTICLE 1.

1.1 Abandonment Agreement shall have the meaning provided in Section 24.8.

1.2 Acreage Basis, when used to describe the basis of participation by the Parties within the Subject Lands, Participating Area, Tract, Approved Development Area, or other area designated pursuant to this Agreement with regard to voting, Expenditures and Unitized Substances means participation by each such Party in the proportion that the surface acreage of its Working Interests in such area bears to the total surface acreage of the Working Interests of all such Parties therein. For the purposes of this definition, (a) the surface acreage of the Working Interest in a Tract within the Subject Lands shall be the surface acreage of such Tract as set forth in Exhibit A, and (b) if there are two or more undivided Working Interests in a Tract, there shall be apportioned to each such Working Interest that proportion of the surface acreage of the Tract that such Working Interest bears to the entire Working Interest in the Tract.

1.3 Adjusted Expenditures shall have the meaning provided for in Section 21.1.

1.4 Affiliate means any company, corporation or other legal entity that controls a Party, is controlled by such Party, or is under common control with such Party. The term controlled means (a) the ownership, directly or indirectly, of fifty percent (50%) or more of the stock having the right to vote for directors of that corporation; or (b) the right to exercise control of management for decisional authority of another type of entity.

1.5 Approval of the Parties means an approval, authorization, or direction that receives the required percentage vote specified in Section 8.2 by the Parties entitled to vote on the proposal.

1.6 Approved Development Area means the development area approved in accordance with ARTICLE 16.

1.7 Authorization for Expenditure (AFE) or Authorization for Commitment (AFC) means the written document that properly itemizes Expenditures that upon obtaining Approval of the Parties grants to Operator the authority to commit or expend funds.

1.8 Common Data Base means the data and information so specified in Subsections 20.2.3 and 20.2.4 utilized in the establishment of Interim and Final Determination.

1.9 Complete or Completion means to perform all Operations reasonably necessary and incident to the completion of a well, commencing with the running and setting of the production pipe and, if productive, equipping through the wellhead connections.

1.10 Deepen means to perform all Operations reasonably necessary and incident to Drilling a well below its original Objective Depth.

1.11 Demobilization Costs means the actual Expenditures incurred pursuant to the drilling contract to rig down following final well operations, including the Expenditures of moving the drilling rig and any support Facilities from the last well Drilled to its contractually designated demobilization location.

1.12 Determination Committee shall mean the committee formed and charged with developing and implementing the specific Equity Procedures to be used for Interim Determination and the specific Equity Procedures to be used for Final Determination as more particularly described in Subsection 20.2.2.

1.13 Development Non-Consent Operations shall have the meaning provided for in Section 16.9.

1.14 Development Party means a Working Interest Owner that has elected to participate in a Proposal to Develop in accordance with Section 16.7.

1.15 Development Plan means that certain plan more particularly described in Section 17.4 that describes the intended planning, design, construction, installation and other

development activities and Operations necessary to allow for the commercial production of Unitized Substances.

1.16 Development Well means a well that is both (a) Drilled, Deepened or Sidetracked by the Parties under this Agreement to a projected bottomhole location within the areal boundary of (i) a Participating Area approved by the Proper Authority; (ii) an area for which a good faith application to establish a Participating Area has been made with the Proper Authority and approval is pending; or (iii) an Approved Development Area, and (b) for which the primary objective is the same Reservoir for the Participating Area, pending Participating Area, Approved Development Area or to a shallower Objective Depth therein.

1.17 DNR means the State of Alaska Department of Natural Resources.

1.18 Drill or Drilling means to perform all Operations reasonably necessary and incident to the Drilling of a well to its objective, open hole testing and logging, but excluding Completing and Plugging and Abandoning Operations.

1.19 Drilling Block means the Drillsite Block and all Legal Subdivisions within a five (5) mile by five (5) mile square, centered on the Drillsite Block, whether completely or partially within such five (5) mile by five (5) mile square area and limited only to the Subject Lands as more particularly described in Section 11.11. A Drilling Block is limited to a maximum of twenty-five (25) Legal Subdivisions.

1.20 Drilling Season means, for Exploratory Wells, either that period of time between and including December 1 of one calendar year and May 31 of the following calendar year ("Winter Drilling Season"), or that period of time between and including June 1 of one calendar year and November 30 of that same calendar year ("Summer Drilling Season"). Drilling Season for Development Wells shall mean a calendar year from January 1 until January 1 of the following year.

1.21 Drillsite Block means the Legal Subdivision upon which the projected bottomhole location of an Exploratory Well or the projected bottomhole location of the exploratory Deepening or Sidetracking Operation is located.
Facilities

1.22 Equity Formula means the value-based formula to calculate the Tract Participations as agreed by the Determination Committee as more particularly described in Subsection 20.2.4.

1.23 Equity Procedures means those specific techniques, methodologies, and equations to be used to determine Tract Participations as set forth in ARTICLE 20.

1.24 Excluded Interest shall have the meaning provided for in Section 19.3.

1.25 Expenditures means all expenses or indebtedness incurred by Working Interest Owners or Operator pursuant to this Agreement for or on account of Operations, and all other

expenses that are herein made chargeable as costs, determined in accordance with the Accounting Procedure attached hereto as Exhibit I.

1.26 Exploratory Well means any well, other than a Development Well (but including the subsequent Deepening or Sidetracking of a Development Well to an objective below the base of the stratigraphic equivalent of the deepest horizon covered by the deepest applicable Participating Area or Approved Development Area), Drilled, Deepened or Sidetracked pursuant to this Agreement.

1.27 Facilities means any equipment, personal property, lease and well equipment, or fixtures beyond wellhead connections acquired or constructed pursuant to this Agreement for the purpose of conducting Operations, producing, handling, storing, treating, or transporting Unitized Substances, including, but not limited to, production facilities, plants, platforms, gravel roads/pads, on site personnel quarters, transportation systems, communications systems, and oil spill response Facilities.

1.28 Final Determination means the final determination of Tract Participations as provided in Subsection 20.2.4.

1.29 Geophysical Operations means a seismic program on all or a part of the Subject Lands. A seismic program may include, but is not limited to 2D seismic, 3D seismic and reprocessing of existing data on the Subject Lands.

1.30 Gross Negligence or Willful Misconduct means any act or failure to act (whether sole, joint or concurrent) by any person or entity which was intended to cause, or which was in reckless disregard of or wanton indifference to, harmful consequences such person or entity knew, or should have known, such act or failure would have on the safety or property of another person or entity.

1.31 Inflation Equivalent means interest at the monthly rate calculated in accordance with the method described in Exhibit I Accounting Procedure Article VIII.

1.32 Initial Participation means the first determination of Tract Participations as provided in Subsection 20.2.1.

1.33 Intangible Value means the amount of those Expenditures incurred in Drilling, Deepening, Plugging Back, Sidetracking, and Completing of a Usable Well within a Resulting Area, down to the deepest Reservoir for which such Resulting Area was created, which contribute to the production of Unitized Substances therefrom and which are properly classified as intangible Expenditures in conformity with accounting practices generally accepted in the industry.

1.34 Interim Determination means the determination of Tract Participations as provided in Subsection 20.2.3.

1.35 Joint Account means the series of separate accounts established for the Subject Lands, the respective Participating Areas and Facilities showing the Expenditures and credits accruing because of Operations and that are to be shared by the respective Working Interest Owners.

1.36 Joint Property shall have the meaning provided for in Exhibit I Accounting Procedure Section I.1.

1.37 Lease Burden(s) means the royalty, net profits or other interest reserved to the lessor in any oil and gas lease, or an overriding royalty, production payment, or other similar burden created prior to the date such oil and gas lease becomes subject to this Agreement and which is described in Exhibit A, but does not include a carried working interest, any interest payable out of profits to someone other than the lessor, or any interest created after the date such oil and gas lease becomes subject to this Agreement.

1.38 Leasehold Interest means the ownership in the oil and gas leases identified in Exhibit A.

1.39 Legal Subdivision means a governmental protracted or surveyed section of land.

1.40 Mobilization Costs means the actual Expenditures incurred pursuant to the drilling contract to prepare a drilling rig and associated support Facilities for Drilling operations, including the Expenditures of moving the drilling rig and support Facilities from its preceding location to the first well location and rigging up for Drilling Operations.

1.41 Non-Consent Operations means any activity conducted under this Agreement in which fewer than all of the Working Interest Owners participate.

1.42 Non-Development Party means a Working Interest Owner that has elected not to participate in a Proposal to Develop in accordance with Section 16.7.

1.43 Non-Drilling Party or Non-Participating Party means the Working Interest Owner entitled to participate in a Operation who elected or is deemed to have elected not to participate in the Expenditures incurred in Drilling, Deepening, testing, Plugging Back, Completing, Sidetracking, or Reworking of an Exploratory Well or Operation, including but not limited to construction of Facilities or acquisition of Facilities in accordance with this Agreement.

1.44 Non-Operator means any Party to this Agreement owning a Working Interest in the Subject Lands and not acting as Operator.

1.45 Objective Depth means the depth to which a well is projected to be drilled, described in terms of vertical footage sub sea, a formation, a basement complex, or a combination thereof, whichever is first encountered, together with a bottomhole location identified in terms of an official land description.

1.46 Operation(s) means all operation(s) approved and authorized pursuant to this Agreement.

1.47 Operator means the Party designated by the Working Interest Owners and approved by the Proper Authority under the Unit Agreement, if applicable, to conduct Operations within the Subject Lands. Brooks Range Petroleum Corporation is initially designated Operator.

1.48 Operator's Expenditure Authority means the dollar amount that the Operator is allowed to expend without other approval as set out in Section 17.6.

1.49 Over-Invested Party shall have the meaning provided for in Section 19.2.

1.50 Own Operations means either of the following: (i) all operations for which a Working Interest Owner or its Affiliate is the operator; or (ii) all operations conducted by or for a Working Interest Owner or its Affiliate as to which such Working Interest Owner or its Affiliate owns a fifteen (15%) or greater working interest.

1.51 Paid-In Share shall have the meaning provided for in ARTICLE 21.

1.52 Participating Area (PA) means that Reservoir that is part of the Subject Lands that is reasonably proven by Drilling and Completion of wells, geological and geophysical information, and engineering data to be capable of producing hydrocarbons in Paying Quantities. Participating Area may include multiple Reservoirs for the purposes of the definition of Development Well found in Section 1.16.

1.53 Participating Interest means a Party's percentage of participation in the Expenditure, risk, and rewards of an Operation conducted pursuant to this Agreement and is expressed as a percentage. When all Parties participate in an Exploratory Well, a Participating Party's Participating Interest in such Operation shall be its Working Interest within the Drilling Block. When fewer than all Parties participate, a Participating Party's Participating Interest will also include its share, if any, of the Participating Interest determined pursuant to Section 11.3 hereof, that would have been allocated to each Non-Participating Party had the Non-Participating Party participated in the Operation. If any Party has previously relinquished an interest pursuant to ARTICLE 12 as to any depth in any portion of the relevant Drilling Block, a Participating Party's Participating Interest shall be calculated by using the Working Interest of the Parties in the deepest objective formation proposed to be penetrated by the well. In the event the well is proposed to be tested by a cased production test pursuant to Section 11.5, the Participating Interest of the Participating Parties in such Operation shall be based on the Working Interest of such Participating Parties at the deepest depth to which the cased production test is proposed.

1.54 Participating Party or Drilling Party means a Working Interest Owner obligated to bear the Expenditures incurred in an Operation, including but not limited to construction or acquisition of Facilities, Drilling, Deepening, testing, Plugging Back, Completing, Sidetracking or Reworking of an Exploratory Well or Development Well as of the date the subject Operation receives the Approval of the Parties.

1.55 Partnership means the tax partnership that is provided for in Exhibit K.

1.56 Party or Parties means a signatory party to this Agreement, including the Party acting as Operator.

1.57 Paying Quantities means quantities of Unitized Substances sufficient to yield a return in excess of operating costs; even if drilling and Facilities costs may never be repaid and the undertaking considered as a whole may ultimately result in a loss. Quantities are insufficient to yield a return in excess of operating costs unless they will produce sufficient revenue, not considering transportation and marketing, to induce a prudent operator to produce those quantities. Notwithstanding the foregoing, any well that has been certified by the Proper Authority as a well capable of producing in Paying Quantities will be deemed by the Parties to be capable of producing in Paying Quantities.

1.58 Plugging and Abandonment means to plug and abandon a well pursuant to applicable rules and regulations of the State of Alaska. This includes the rehabilitation and restoration of the surface to original condition or to the satisfaction of the appropriate governmental agency.

1.59 Plugging Back means to perform all Operations reasonably necessary and incident to conducting a cased production test or other form of attempted Completion at a depth above its original Objective Depth or above a subsequently approved deeper Objective Depth.

1.60 Primary Objective for Development means the general intent and strategy of a Development Plan which is summarized in narrative form and prepared by the development proposal committee in accordance with Subsection 16.4.L.

1.61 Primary Reservoir means the Reservoir that is the primary focus of the Development Plan.

1.62 Proper Authority means the appropriate mineral owner and/or the governmental State or Federal agency for approval of units, Participating Areas and plans of development or plans of exploration.

1.63 Proposal to Develop shall have the meaning provided for in Section 16.4.

1.64 Proprietary Technical Information means technical information relating to Facilities and methods either (i) utilized by a Working Interest Owner in, or (ii) made available by one Working Interest Owner to another Working Interest Owner for use in the conduct of Operations and clearly marked as such. Proprietary Technical Information may include, but is not limited to drawings, designs, specifications, data and other information relating to such Facilities and methods. Proprietary Technical Information shall not include the data or information described in Section 25.1, but does include interpretive analyses, data or information derived and prepared by and for a Working Interest Owner from the data or information

described in Section 25.1, provided that such derived interpretive analyses, data or information are not funded as Expenditures.

1.65 Required Well or Required Operation means a well required to be Drilled or an Operation required to be conducted in the Subject Lands in satisfaction of a demand or final order of the Proper Authority. A plan of exploration or a plan of development approved by the Proper Authority does not constitute a demand or final order of the Proper Authority, even if failure to perform any required activity under such plan of exploration or plan of development will result in termination of the leasehold.

1.66 Reservoir means that part of the Subject Lands containing an accumulation of Unitized Substances that has been discovered by drilling and evaluated by testing a well or wells, and that is geologically separate from and not in hydrocarbon communication with any other accumulation.

1.67 Resulting Area shall have the meaning provided for in Section 19.1.

1.68 Revised Obligation shall have the meaning provided for in Section 21.2.

1.69 Rework means to perform Operations in a well as to the Reservoir then open to production of Unitized Substances in an attempt to restore, maintain or enhance production of Unitized Substances therefrom.

1.70 Salvage Value means the value of the materials and Facilities in or appurtenant to a well and the Joint Property determined in accordance with Exhibit I, less the reasonably estimated Expenditures of salvaging the same and plugging the well and the estimated Expenditures for rehabilitation and restoration of the lands within the Subject Lands to original condition or to the satisfaction of the appropriate governmental agency.

1.71 Sidetracking means to Drill using a part but not all of the existing wellbore to Drill a hole to a different Objective Depth or to any point in the original Objective Depth more than 500 feet in any direction from the intersection of the exiting wellbore within the original Objective Depth.

1.72 Sole Risk Well shall have the meaning provided for in Section 17.13.

1.73 Subject Lands/Unit Area Subject Lands means all the oil and gas leases and Tracts that are described in Exhibit A and shown on Exhibit B.

1.74 Substitute Well means an Operation involving the use of a portion of an existing Exploratory Well to Drill a second hole in order to straighten the existing well hole, to Drill around junk, to overcome mechanical difficulties or to achieve the original objective of the existing well, but shall not include a Sidetrack Operation as defined in Section 11.6.

1.75 Tangible Property means any kind of property serving a Resulting Area other than intangible property (whether or not in or pertaining to a Usable Well) which has been

acquired for use in or in connection with the production of Unitized Substances from such Resulting Area or any portion thereof, and the Expenditures of which has been charged as Expenditures pursuant to this Agreement.

1.76 Tract means each separate parcel of land that is described in Exhibit A and that may be given a Tract number that will be a unique combination of numbers and/or letters.

1.77 Tract Participation means the percentage assigned to a Tract, or portion thereof, lying within a Participating Area for the purpose of allocating to such Tract, or portion thereof, Expenditures associated with that Participating Area and allocating Unitized Substances produced from such Participating Area. Such Tract Participation shall be determined in accordance with ARTICLE 20.

1.78 Under-Invested Party shall have the meaning provided for in Section 19.2.

1.79 Unit Agreement means any agreement entered into by and among the Parties and the Proper Authority for the efficient and cooperative development of the Subject Lands pursuant to ARTICLE 13.

1.80 Unitized Substances means all oil, gas (except helium), gaseous substances, condensate, distillate, and all associated constituent liquid or liquefiable substances (other than water) within or produced from the Subject Lands without regard to the fact that the Subject Lands are or are not subject to a Unit Agreement except to the extent that such substances are substances that are injected into a Reservoir and that have been purchased or otherwise obtained from any other unit or Participating Area (commonly referred to as "Outside Substances").

1.81 Usable Well means a well within a Resulting Area that is either (i) Drilled through a Reservoir for which the Resulting Area was created or (ii) used as a disposal well, injection well, or otherwise in connection with the production of Unitized Substances from such Resulting Area.

1.82 Value of Tangible Property means the amount of Expenditures incurred in the construction or installation thereof (except installation Expenditures properly classified as part of the Intangible Expenditures incurred in connection with a Usable Well).

1.83 Working Interest means the operating interest under an oil and gas lease by virtue of which the owner of that interest has the right to Drill, develop and produce oil and/or gas and associated substances from a particular depth or formation in the lease, Subject Lands, Tract, Drilling Block, Approved Development Area or Participating Area, as applicable. For purposes of this Agreement, the Working Interest in a lease, Subject Lands, Tract, Drilling Block, Approved Development Area or Participating Area, as applicable, is expressed as a percentage and is determined by dividing a Party's net leasehold acreage in the lease, Subject Lands, Tract, Drilling Block, Approved Development Area or Participating Area, as to a particular depth or formation, by the total net leasehold acreage as to such particular depth or formation.

1.84 Working Interest Owner means a Party who owns a Working Interest.

ARTICLE 2: EXHIBITS

2.1 Exhibits The following Exhibits are attached hereto and made a part hereof or incorporated herein by reference:

Exhibit A	Description of Oil and Gas Leases that comprise the Subject Lands.	
Exhibit B	Plat that depicts the Oil and Gas Leases that comprise the Subject Lands.	
Exhibit C	Description of the Participating Area (including Tract Participations) [None at this time]	
Exhibit D	Map depicting the Participating Area	[None at this time]
Exhibit E	Table of Participating Area Expenses	[None at this time]
Exhibit F	Table of Unit Expenses	[None at this time]
Exhibit G	Unit Plan of Exploration or Development	[None at this time]
Exhibit H	Memorandum of Agreement	
Exhibit I	Accounting Procedure	
Exhibit J	Equal Employment Opportunity	
Exhibit K	Tax Partnership	
Exhibit L	Arbitration Procedure	
Exhibit M	Form of Assignment	
Exhibit N	Approved Development Plan	[None at this time]
Exhibit O	Insurance	

2.2 Priority In the event of a conflict or inconsistency between the terms of the body of this Agreement and any Exhibit attached hereto, except Exhibit K, the terms of the body of this Agreement shall govern and control. In the event of a conflict or inconsistency between the terms of the body of this Agreement and Exhibit K, the terms of Exhibit K shall govern and control.

ARTICLE 3: SCOPE OF AGREEMENT

3.1 Commitment of Interests Each Party hereby subjects and commits to this Agreement all of its Working Interest in the Subject Lands. Any Working Interest in the Subject Lands that is acquired by a Party subsequent to the effective date of this Agreement, but during the term of this Agreement shall also be committed and subject to this Agreement.

3.2 Scope of Agreement This Agreement is intended to govern any and all Operations by the Parties that are part of or necessary for exploring and developing the Subject Lands.

ARTICLE 4: MINIMUM ROYALTIES, DELAY, RENTALS, SHUT-IN WELL PAYMENTS, AND LEASE BURDENS

4.1 Payment of Minimum Royalties, Delay Rentals and Shut in Well Payments Operator shall pay all delay rentals, minimum royalty, shut-in royalty and shut-in well payments that may become due and payable on the Subject Lands and shall charge same to the Parties in accordance with their Working Interest therein.

4.2 Failure to Make Proper Payment In the absence of Gross Negligence or Willful Misconduct, Operator shall not be liable in damages to any other Party for the failure to make such a payment required in Section 4.1.

4.3 Lease Burdens and Taxes To the extent possible, Operator shall, on behalf of each Party, be responsible for payment and delivery of the payment of the Lease Burdens that are attributable to such Party's respective share of Unitized Substances. To the extent possible, Operator shall pay or cause to be paid all taxes levied on or measured by Unitized Substances that are attributable to each Party's share of Unitized Substances. During any time in which Participating Parties are entitled to receive a Non-Participating Party's share of Unitized Substances, the Participating Parties shall bear the Lease Burdens due with respect to such Non-Participating Party's share of Unitized Substances and shall hold the Non-Participating Parties harmless from liability in connection therewith. In making such payments or deliveries, no Party shall be liable for a standard of performance in excess of a good faith effort to pay or deliver same prior to the due date.

4.4 Other Burdens Any burden that is not designated on Exhibit A, attached hereto, all carried interests, and all other interests payable out of profits to someone other than the lessor, shall be borne by the Party or Parties whose Working Interest is burdened thereby. Any assignments made pursuant to ARTICLE 12 (Exploration Non-Consent Relinquishment), Section 16.9 (Development Non-Consent Relinquishment) and/or ARTICLE 26 (Withdrawal and Surrender) hereunder shall be free and clear of any such burdens, unless designated on Exhibit A.

ARTICLE 5: OPERATOR'S POWERS AND RIGHTS

5.1 In General Subject to the provisions of this Agreement, Operator shall direct and have control of all Operations conducted hereunder and shall have exclusive custody of all materials, Facilities, and other property used in connection with the conduct of Operations hereunder.

5.2 Resignation of Operator Operator may resign from such position at any time after having given ninety (90) days prior written notice to Non-Operators. Such resignation shall become effective at 7:00 a.m. on the first day of the month following a period of ninety (90) days after receipt of said notice or request, unless a successor Operator has assumed the duties of Operator prior to that date.

5.3 Automatic Termination If the Operator (i) dissolves, liquidates or terminates its legal existence other than through merger or reorganization; (ii) becomes insolvent, bankrupt or is placed in receivership; or (iii) is ordered by governmental authority to cease acting as the Operator, the Operator's appointment will terminate upon appointment of a successor.

5.4 Removal of Operator In the event Operator, or its Affiliate who is a Party to this Agreement, is in default or breaches a material provision of this Agreement (as determined by a vote of seventy percent (70%) in Working Interest among the Non-Operators after excluding Operator's Working Interest and the Working Interest of an Affiliate of Operator) and fails to cure or to have taken adequate steps necessary to cure same within 60 days (or on or before 60 days before the commencement of the next Drilling Season if actual Operations on the Subject Lands are required) after written notification by Non-Operators of such breach, Operator may be removed by the affirmative vote of Non-Operators having seventy percent (70%) or more of the Working Interest remaining after excluding Operator's Working Interest and the Working Interest of an Affiliate of Operator.

5.5 Transfer of Responsibilities

A. Upon the effective date of such resignation or removal, the Operator shall hand deliver to, or relinquish custody in favor of, the successor Operator, all funds relating to the Joint Account, all Facilities, all Unitized Substances and all books, records, accounts and inventories relating to Operations other than those books, records, accounts and inventories maintained by the Operator as a Working Interest Owner. The outgoing Operator shall further use its best efforts to transfer to the successor Operator, effective as of the effective date of such resignation or removal, its rights as the Operator under all contracts exclusively relating to the Operations and the successor Operator shall assume all Operations of the Operator thereunder. It is acknowledged that a failure to comply with this provision could cause irreparable injury to the Working Interest Owners, and thereby justify injunctive relief.

B. As soon as practicable after the effective date of such resignation or removal, the Parties shall audit the Joint Account and conduct an inventory of all Facilities and all Unitized Substances and such inventory shall be used in the return of and the accounting for the said Facilities and Unitized Substances by the Operator that has resigned or has been removed for the purposes of the transfer of responsibilities under ARTICLE 5. All Expenditures and expenses incurred in connection with such audit and inventory shall be for the Joint Account.

5.6 Non-Consent Operations With respect to Non-Consent Operations where the Operator does not participate, the Participating Parties shall have the right to have the Operator conduct such Non-Consent Operations under the terms of this Agreement at the sole cost, risk and expense of, but subject to supervision by, the Participating Parties; provided that the Operator shall promptly submit to the Participating Parties an estimate of the Expenditures of the proposed Non-Consent Operations; provided further that the Operator shall not be required to proceed with such Non-Consent Operations unless and until the Expenditures thereof has been advanced to it by the Participating Parties in accordance with Exhibit I hereof to the end that the Operator need not incur any risk of non-payment nor expend any of its own funds for such Non-Consent Operations. If the Participating Parties elect, they shall have the right to designate, by a fifty-one percent (51%) vote of the Participating Interest or Working Interest, as applicable, of the Participating Parties in the Operation, a Participating Party as a sub-operator for the purpose of conducting such Non-Consent Operation provided that the terms and conditions of any necessary agreements are assignable. In such event, such sub-operator shall have all rights,

duties and obligations for such Non-Consent Operations as would Operator under this Agreement.

5.7 Designation of Successor Operator Should the Operator resign pursuant to Section 5.2 or be removed pursuant to Section 5.3 or 5.4, then within a period of ninety (90) days after such resignation or removal, the Parties shall, by a majority vote of their Working Interest in the Subject Lands, excluding the vote of the retiring Operator and the Working Interest of an Affiliate of Operator, select a successor Operator. In the event a majority vote or votes cannot be obtained, a successor Operator shall be determined by the flip of a coin between the Parties with the two highest total votes. The retiring Operator shall continue to serve as Operator until its successor has taken over the Operations, provided that the retiring Operator shall not be required to continue as Operator for longer than said ninety (90) day period. The retiring Operator, after the effective date of resignation or removal shall be bound by the terms hereof as a Non-Operator.

5.8 Employees Subject to this Agreement, the number of employees to be used in Operations hereunder and their selection, as well as their hours of labor and compensation, shall be determined by Operator. All such employees shall be the employees of Operator, subject to any separate agreement for seconded or loaned employees. Operator shall employ such employees, agents and contractors as are reasonably necessary to conduct Operations.

5.9 Non-Liability Operator, in its capacity as Operator, shall not be liable to Non-Operators for losses sustained or liabilities incurred in the conduct of its Operations hereunder or for anything done or omitted to be done, except as may result from Operator's Gross Negligence or Willful Misconduct. Notwithstanding the foregoing provision, nothing in this Section 5.9 shall relieve Operator of its obligations or liabilities as a Party hereunder.

5.10 Advances Subject to Section 9.3 (Limitation of Expenditure) and Section 17.7 (AFE), Operator shall have the right to require each Participating Party to advance its respective share of estimated cash outlays pursuant to Exhibit I.

5.11 Operator's Lien Subject to provisions of 5.12, in addition to any other security rights and remedies provided by law, and as security for the payment of all sums due Operator from a Non-Operator, Operator is given a first and prior lien on such Non-Operator's Working Interest, and upon such Non-Operator's interest in all material and Facilities and other property on the Subject Lands and upon its interest in all Unitized Substances and the proceeds from the sale of such Non-Operator's share of Unitized Substances, up to the amount owing by such Non-Operator, together with interest thereon at the rate specified in Exhibit I, attached hereto, plus attorneys fees, court costs, and other related collection expenses. Each Non-Operator shall have like security rights against Operator's Working Interest and the Working Interest of an Affiliate of Operator, and upon Operator's interest and the interest of an Affiliate of Operator in all material and Facilities and other property on the Subject Lands and upon its interest in all Unitized Substances and the proceeds from the sale of Operator's share of Unitized Substances, up to the amount owing by Operator, together with interest thereon at the rate specified in Exhibit I, attached hereto, plus attorneys fees, court costs, and other related collection expenses for any amounts which become due and owing from the Operator.

In the event any Non-Operator fails to pay, within the time limit for payment thereof, any bona fide sum owing by it for Expenditures, the Operator is authorized, at its election and without prejudice to other remedies, to collect from any purchaser of such delinquent Party's share of the Unitized Substances the amount owing, after first deducting any royalty, net profits or other reserved interest due the lessor and any overriding royalty designated on Exhibit A. Upon written request of Operator, each delinquent Party shall promptly inform the Operator of the name and contact information of the first purchaser of its Unitized Substances. The Party collecting such amounts shall be responsible for accounting to the owner of the overriding royalty designated on Exhibit A and to the lessor for the lessor's reserved royalty and net profits attributable to the amount collected. Each purchaser of Unitized Substances is authorized to rely upon the Operator's statement as to the amount owing by such delinquent Party. All delinquent amounts owed by a Non-Operator shall bear interest calculated in accordance with Exhibit I. Upon the request of any Party, Operator shall prepare, and each Party shall execute and deliver to Operator, (or Operator shall execute and deliver to the Non-Operators as the case may be) a recording supplement of this Agreement and such financing statements as are necessary to perfect and maintain the lien and security interests provided in this Section 5.11, and each Party shall also inform Operator where it keeps its records related to the security and where its state of organization and chief place of business are located. With respect to recording such supplement and financing statements, Operator shall promptly record the recording supplement and file a financing statement, as necessary, in each recording district in which the Subject Lands or any other collateral identified above is located and shall file, or record if appropriate, a financing statement in every filing or recording office Operator believes appropriate to perfect and maintain the lien and security interest evidenced thereby. Thereafter, each Party shall execute, acknowledge and deliver, for recording or filing in like manner, such additional instruments as are necessary or appropriate to implement, perfect and maintain the lien and security interests provided in this Section 5.11.

In the event the Operator fails to pay, within the time limit for payment thereof, any bona fide sum owing by it for Expenditures, any Non-Operator is authorized, at its election and without prejudice to other remedies, to collect from any purchaser of Operator's share, or the share of an Affiliate of Operator, of the Unitized Substances the amount owing, after first deducting any royalty, net profits or other reserved interest due the lessor and any overriding royalty designated on Exhibit A. Upon written request of such Non-Operator, the Operator shall promptly inform the Non-Operator of the name and contact information of the first purchaser of its Unitized Substances. The Party collecting such amounts shall be responsible for accounting to the owner of the overriding royalty designated on Exhibit A and to the lessor for the lessor's reserved royalty and net profits attributable to the amount collected. Each purchaser of Unitized Substances is authorized to rely upon the Non-Operator's statement as to the amount owing by the Operator. All delinquent amounts owed by the Operator shall bear interest calculated in accordance with Exhibit I. Upon the request of such Non-Operator, the Operator shall prepare and execute and deliver to the Non-Operators a recording supplement of this Agreement and such financing statements as are necessary to perfect and maintain the lien and security interests provided in this Section 5.11, and the Operator shall inform the Non-Operator where it keeps its records related to the security and where its state of organization and chief place of business are located. With respect to recording such supplement and financing statements, Non-Operator

shall promptly record the recording supplement and file a financing statement in each recording district in which the Subject Lands or any other collateral identified above is located and shall file, or record if appropriate, a financing statement in every filing or recording office Non-Operator believes appropriate to perfect and maintain the lien and security interest evidenced thereby. Thereafter, Operator shall execute, acknowledge and deliver, for recording or filing in like manner, such additional instruments as are necessary or appropriate to implement, perfect and maintain the lien and security interests provided in this Section 5.11.

5.12 Default and Unpaid Charges Unless not paid due to a bona fide dispute as to a charge or estimated charge, if any Party does not pay its share of the Expenditures and other charges, including advances, when due, Operator may give such Party written notice that unless payment is made within fifteen (15) days of receipt of said notice, such Party shall be in default. Any Party in default shall have no further access to the Subject Lands, maps, records, data, interpretations, or other information obtained in connection with any Operations hereunder. A Party in default shall not be entitled to vote on any matter until such time as said Party's payments are current. When a Party is in default, the voting interest of each non-defaulting Party shall be adjusted to be in the proportion that its voting interest bears to the total non-defaulting voting interest. As to any Operation for an Exploratory Well approved during the time a Party is in default, such Party shall be deemed to be a Non-Participating Party. As to any Operation for a Development Well approved during the time a Party is in default, such Party shall be deemed to be a Non-Participating Party. If any Party fails to pay the charges due hereunder within sixty (60) days after rendition of Operator's statement, the other Participating Parties not in default shall, upon Operator's request, pay the unpaid amount in proportion to their Participating Interest calculated after excluding the Participating Interest, as applicable, of the Party in default. If such Participating Party fails to pay the Operator after such request, the Participating Party shall also be a defaulting Party. Each Party so paying its share of the unpaid amount shall be subrogated to Operator's security and other rights against the defaulting Party to the extent of such payment. Payment by non-defaulting Parties of any such amount due by a defaulting Party does not stop or affect, as to the Party in default, the obligation to pay said amount or the accrual of interest on the amount so paid. Within 90 days of default, Defaulting Party shall immediately reimburse, by disproportionate spending, all amounts paid on its behalf by Participating Party.

5.13 Contracts Competitive bids shall be obtained by Operator for drilling of wells, construction of Facilities, and for any other work done through independent contractors or other parties, except when one of the circumstances shown below exists. Reasons for not seeking competitive bids shall be accurately documented. Circumstances where competitive bidding may not be necessary include:

A. When the cost of engineering and preparing invitations to bid for relatively small contracts would offset the possible advantages of competitive bidding.

B. When a genuine emergency exists in which any delay caused by obtaining competitive bids is likely to result in a loss to the Working Interest Owners.

C. When there is only one reasonably acceptable contractor from the standpoint of either qualifications or competitiveness.

D. When evidence from previous recent bids or experience justifies concluding a contract without soliciting competitive bids.

E. When the nature of the service or work to be performed makes it more practicable or advantageous to the Working Interest Owners to negotiate a contract.

F. When only one bid is obtainable.

G. When work is performed under a contract at rates negotiated prior to the Effective Date of this Agreement.

Operator may employ an Affiliate or its own tools and Facilities in the conduct of Operations under this Agreement, and the charge therefore shall be as provided for in Exhibit I but may not exceed the usual rates prevailing in the area, and the work shall be performed by Operator under the same terms and conditions as may be usual in the area in contracts with independent contractors that may be available to provide work of a similar nature.

Participating Parties may audit the Operator's Joint Account and, as a part of such audit, may review Operator's contracts for services, tools or Facilities provided for Operations pursuant to the audit provisions provided in Exhibit I, Accounting Procedure, and subject to reasonable and appropriate confidentiality limits on the disclosure of the terms of said contracts by the auditors thereof.

5.14 Emergencies In case of a blowout, explosion, fire, flood, storm, ice floe, catastrophe, or other sudden emergency, Operator shall take such steps and incur such Expenditures as are necessary to deal with the emergency, to safeguard life and property, and to prevent pollution, but Operator shall, as promptly as possible, report the emergency and the estimated expense to the Working Interest Owners.

5.15 Dispute Resolution The position taken by the Operator with third parties on behalf of the Working Interest Owners with respect to material elements in dispute resolution processes shall be determined by the position receiving Approval of the Parties.

5.16 Claims, Hearings and Litigation Operator shall notify the Participating Parties in writing of all actions, claims, suits, and demands by any person or persons arising in connection with Subject Lands or Operations thereon. Operator may settle any such single claim or demand when the total expenditure for final settlement and full release does not exceed ONE HUNDRED FIFTY THOUSAND DOLLARS ($150,000). Operator shall not settle any claim in excess of such amount without Approval of the Parties who have potential liability in the claim or suit which has arisen. All Expenditures and expenses of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the Parties participating in the Operation from which the claim or suit arises per its respective Participating Interest. If a claim is made against any Non-Operator or if any Non-Operator is sued on account of any matter arising from Operations hereunder over which such Party has no control because of the rights given Operator by this Agreement, such Party shall immediately notify Operator and all other

Parties, and the claim or suit shall be handled by Operator as any other claim or suit involving Operations hereunder.

5.17 Use of Outside Attorneys Except as to title opinions only, Operator shall give prompt notice to the Parties of the retention of any outside attorneys to represent the affected Working Interest Owners. Any Working Interest Owner can be separately represented, at its sole expense, if it so elects.

5.18 Surplus Material and Facilities Materials and Facilities acquired hereunder may be classified as surplus by Operator when deemed no longer needed in present or foreseeable Operations. Operator shall determine the value and Expenditures of disposal of such materials in accordance with Exhibit I. If the material is classified as junk or if the value of the Facilities utilized for a project, less Expenditures for disposal, is less than or equal to FIVE HUNDRED THOUSAND DOLLARS ($500,000), the Operator will dispose of such surplus material in a good faith effort to achieve the maximum benefit for the Parties owning such material and Facilities. If the value of the Facilities utilized for a project, less Expenditures for disposal of such surplus material, is greater than FIVE HUNDRED THOUSAND DOLLARS ($500,000), Operator shall give written notice thereof to the Parties owning such material. The Operator shall thereafter dispose of the surplus material in accordance with the method of disposal agreed upon by the Parties owning such materials pursuant to a vote prescribed in ARTICLE 8 of this Agreement. Any proceeds from the sale or transfer of all surplus material shall be promptly credited to each Party in proportion to their ownership of such material.

ARTICLE 6: OPERATOR'S DUTIES

6.1 Specific Duties In the conduct of Operations hereunder, Operator shall:

A. Workmanlike Conduct. Conduct all Operations in a good and workmanlike manner as would a prudent Operator under the same or similar circumstances and in compliance with the Unit Agreement.

B. Consultation with Participating Parties. Consult freely with the Participating Parties concerning Operations hereunder and keep them advised of all significant matters arising hereunder. Provide Participating Parties with reasonable notice of and access to all formal meetings held with the Proper Authority or other government agencies regarding the Subject Lands.

C. Compliance with Laws and Agreements. Comply with all terms of the oil and gas leases or agreements under which each Working Interest is held and with all applicable federal, state and local laws and regulations, except to the extent such compliance is delegated to each lessee, as provided in ARTICLE 4.

D. Payment of Expenditures. Pay all Expenditures incurred in Operations hereunder promptly as and when due and payable and make proper charges to the Parties for their proportionate shares. All charges and accounting between the Operator and the

Participating Parties shall be governed by the Accounting Procedure, attached hereto as Exhibit I.

E. Records. Keep correct books, accounts and records with respect to all Operations hereunder, showing expenses incurred, charges and credits made and received. Operator shall provide the Participating Parties with a monthly report of estimated Expenditures, both incurred and projected. During Operations for drilling, Operator shall submit to each Participating Party such Expenditures for drilling information as is kept in the normal course of Operator's business, and make every effort to keep its Expenditures records for each well on a current weekly basis so that it will be able to predict with reasonable accuracy at any given time whether or not the actual Expenditures of the well will exceed the estimated total Expenditures previously submitted by Operator.

F. Access to Subject Lands/Unit Area. Except as otherwise provided herein, provide each Participating Party free access, at that Participating Party's sole risk and expense, to the Subject Lands, and, free access at any and all times to inspect and observe Operations of every kind and character being conducted hereunder in which the Party is a Participating Party, including but not limited to the right to be present at and witness any test, logging or coring conducted hereunder, it being understood that Operator will use its best efforts to notify Participating Parties of the pendency of any such activities at least forty-eight (48) hours (exclusive of Saturday, Sunday, and federal holidays) in advance. Each Participating Party agrees to hold Operator harmless from and to indemnify Operator against any and all loss or liability resulting from or arising out of injuries to the Participating Party's personal property, or injuries to or death of its employees, guests or contractors resulting from access to the Subject Lands and Operations thereon, not caused by or resulting from Operator's Gross Negligence or Willful Misconduct.

G. Access to Information. Provide to the Participating Parties:

(1) The right to inspect and to receive paper and electronic copies of all available information of Operator acquired by Expenditure of the Participating Parties in the Subject Lands and field disposition of Unitized Substances, including but not limited to:

(a) Copies of all logs or surveys;
(b) Daily drilling progress reports;
(c) Copies of all drill stem test and core analysis reports;
(d) Copies of the plugging reports;
(e) Access to and copies upon request of the geological and geophysical maps and reports;
(f) Subject to the confidentiality provisions of ARTICLE 25, copies of the field and final geophysical data including magnetic tapes, seismic sections and shot point location maps;
(g) Access to and copies upon request of engineering studies, development schedules and monthly progress reports on development projects;
(h) Field and well performance reports, including reservoir studies;

(i) Access to and copies upon request of all reports relating to Operations furnished by Operator to Proper Authorities and governmental agencies, except magnetic tapes that shall be stored by Operator and made available for inspection and/or copying at the sole expense of the Participating Parties requesting same;

(j) Other reports as may be otherwise prepared for Operator's internal use and as justified by the activities;

(k) Subject to ARTICLE 34, such additional information for Participating Parties as they or any of them may request, provided that the requesting Party or Parties pay the costs of preparation of such information and that the preparation of such information will not unduly burden Operator's administrative and technical personnel. Only Participating Parties who pay such costs shall receive such additional information;

(l) Participating Parties shall have access to all data, information, models, and model information, including, but not limited to, all such information as required to be made available to the Proper Authority.

(2) Operator shall give Participating Parties access at all reasonable times to all other data acquired in the conduct of Operations in which they participated. Any Participating Party may be entitled to copies of such other data at its sole expense.

(3) Except as provided in Subsection 20.2.3.E and Subsection 20.2.4.F, a Non-Participating Party shall have no rights at any time to well information other than disposition of Unitized Substances for budgeting purposes.

ARTICLE 7: TITLE

7.1 Loss Of Title Should any Working Interest in the Subject Lands be lost in whole or part through failure of title, the Party or Parties contributing the affected Working Interest to this Agreement shall have ninety (90) days from final determination of the loss to acquire a new lease or other instrument correcting the loss, and failing to do so, this Agreement, nevertheless, shall continue in force as to all remaining Working Interests; and,

A. The Party whose Working Interest is affected by the loss shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other Parties any Expenditures that it may have theretofore paid or incurred, but there shall be no additional liability, except as provided below, on its part to the other Parties hereto by reason of such loss;

B. There shall be no retroactive adjustment of Expenditures incurred or revenue from Unitized Substances received attributable to the Working Interest that has been lost, but the interests of the Parties shown on Exhibit A shall be revised as of the time it is

determined finally that a loss has occurred, so that the Working Interest of the Party who is affected by the loss will thereafter be reduced in the Subject Lands;

C. The Party whose Working Interest is affected by the loss shall defend and indemnify the other Parties and shall hold such other Parties harmless from all liability resulting from, or arising out of, such loss;

D. No charge shall be made to the Joint Account for legal Expenditures, fees or salaries, in connection with the defense of the loss of Working Interest, it being the intention of the Parties that each shall defend title to its Working Interest and bear all expenses in connection therewith.

7.2 Other Losses All losses incurred by reasons other than those set forth in Section 5.9 and 7.1 shall be joint losses of the Parties owning a Working Interest therein and shall be borne by such Parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Subject Lands.

7.3 Title Examination Title examination and title opinions shall be made on the drillsite lease of any proposed Exploratory Well prior to commencement of Operations for Drilling and for any leases included in an application for a Participating Area. The opinion will include the ownership of the surface estate, Working Interest, minerals, royalty, overriding royalty, net profits share payments, and production payments under the applicable leases. At the time a well is proposed, each Party contributing leases and/or oil and gas interests to the drillsite lease or to the spacing unit, shall furnish to Operator all abstracts, title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the Parties, but necessary for the examination of title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to the Participating Parties in the well. The Expenditures incurred by Operator in such title examination shall be charged to the Joint Account. Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Operator shall be responsible for securing curative matter or agreements required in connection with jointly held leases or oil and gas interests subject to this Agreement. Each Party owning an interest in leases not jointly held by all Parties shall be responsible for securing all curative matter required in connection with leases or oil and gas interests contributed by such Party. The Operator shall be responsible for the conduct of hearings before governmental agencies for the securing of spacing orders. This shall not prevent any Party from appearing on its own behalf at any such hearing.

No well shall be Drilled on the Subject Lands until after (1) title has been examined as above provided; (2) title opinions have been provided to the Participating Parties; and (3) title has been accepted, in writing, by one or more of the Participating Parties owning at least fifty percent (50%) of the Working Interest in such well.

ARTICLE 8: MEETINGS AND VOTE

8.1 Meetings or Votes without Meetings The Parties shall meet at such time as any Party shall request a meeting by giving not less than ten (10) days notice in writing to the other Parties, which notice shall specify the matter or matters to be considered or voted upon at such meeting. All meetings shall be held in a place to be designated by the Parties. Unless otherwise agreed by the Parties, meetings will be held at the Operator's Anchorage office. Except as otherwise provided in this Agreement, no decision or vote on any matter shall be made at any meeting unless either prior notice thereof has been given as herein provided or all the Parties agree to deal with the matter at the meeting in question. An absentee vote may be cast by telephone, mail, or facsimile received by the Operator's representative prior to the taking of the vote at the meeting, but shall not be counted with respect to any matter on the agenda that is materially amended at the meeting. Any such vote cast by telephone shall be subsequently confirmed in writing. A Party failing to vote shall be deemed to have voted in the negative.

Any matter may be submitted to the Parties for a vote without holding a meeting, provided that notice is submitted in compliance with the provisions of Section 32.2. In such event, each Party shall decide, and within thirty (30) days of receipt of such notice, unless otherwise provided herein, shall give in writing, by First Class airmail, Federal Express or other first class international courier, facsimile, or telephone subsequently confirmed in writing, notice of its vote to each other Party. A Party failing to vote within thirty (30) days of receipt of such notice shall be deemed to have voted in the negative, unless different time period is otherwise provided herein.
Any matter approved by such a vote shall be binding on all Parties hereto. Operator shall give prompt notice to the Parties of the results of any such vote.

8.2 Vote Required for Approval. Except as otherwise specifically provided, all matters or proposals to be voted upon pursuant to this Agreement requiring Approval of the Parties, for approval and to be binding on all Parties, must have the affirmative vote in writing of one or more Parties owning at least fifty-one percent (51%) of the Working Interest entitled to vote on the matter or proposals as may be specified in this Agreement. Exceptions to this general voting approval are as follows:

8.2.1 Proposals requiring 65% vote.

All matters and proposals pursuant to the following:

- Article 11 (Drilling, Deepening or Sidetracking of Exploratory Wells);

must have the affirmative vote in writing of three or more Parties owning at least sixty-five percent (65%) of the Working Interest entitled to vote on the matter for approval and to be binding on all Parties.

8.2.2 Exploratory Wells Repeatedly Proposed.

If any proposal made pursuant to Article 11 (Drilling, Deepening or Sidetracking of Exploratory Wells) does not receive the Approval of the Parties when initially proposed and the same or substantially the same proposal is made a second time after ten (10) months have passed from the date of the initial proposal, then the required Approval of the Parties for such proposal shall be an affirmative vote in writing of one or more Parties owning at least fifty-one percent (51%) of the Working Interest

entitled to vote on the proposal. If such a proposal does not receive the Approval of the Parties when proposed a second time and the same or substantially the same proposal is made a third time after ten (10) months have passed from the date of the second proposal, then the required Approval of the Parties for such proposal shall be an affirmative vote in writing of one or more Parties owning at least twenty percent (20%) of the Working Interest entitled to vote on the proposal. A proposal shall be deemed substantially the same if the proposal has a bottomhole location within one thousand (1,000) feet of the original proposal and is testing the same stratigraphic equivalent as the original proposal.

8.2.3 Exploratory Well Proposals Late in Lease Life.

Any proposal made pursuant to Article 11 (Drilling, Deepening or Sidetracking of Exploratory Wells) to be conducted during the last year of the oil and gas lease's primary term or lease extension period covering the Tract where the bottomhole location of the Exploratory Well is located must have the affirmative vote in writing of one or more Parties owning at least twenty percent (20%) of the Working Interest entitled to vote on the matter for approval and to be binding on all Parties, provided there is no competing proposal.

8.2.4 Development Proposals requiring 20% vote.

All matters and proposals pursuant to the following:

- Article 13 (Unit Formation & Revisions);
- Article 14 (Unit Plans of Exploration and Development);
- Article 16 (Proposal to Develop);
- Article 17 (Development and Production Operations); or
- Article 18 (Participating Areas);

must have the affirmative vote in writing of one or more Parties owning at least twenty percent (20%) of the Working Interest entitled to vote on the matter for approval and to be binding on all Parties.

8.2.5 Only two Participating Parties.

Except as provide in Subsection 8.2.4 above, in the event there are only two (2) Parties entitled to vote, any such proposal must have the affirmative vote in writing of one or more Parties owning at least fifty-one percent (51%) of the Working Interest entitled to vote on the matter for approval and to be binding on all Parties, except for votes taken pursuant to:

- Section 5.16 (Claims);
- Section 7.3 (Title Examination); or
- Article 11 (Drilling, Deepening or Sidetracking of Exploratory Wells);

which shall require approval of both Parties.

8.2.6 Competing and Conflicting Exploratory Well Proposals.

In the event two or more competing and conflicting Exploratory Well proposals having overlapping Drilling Blocks and receive the Approval of the Parties pursuant to this Section 8.2, whichever proposal is approved by the highest Participating Interest shall establish the "dominant Drilling Block". In the event two competing and conflicting Exploratory Well

proposals for Operations are supported and approved by Parties controlling 50% of the Participating Interest, then the proposal with the deepest Objective Depth shall establish the dominant Drilling Block. In the event two competing and conflicting Exploratory Well proposals for Operations are supported and approved by Parties controlling 50% of the Participating Interest and have the same Objective Depth, whichever proposal is proposed by the Operator shall establish the dominant Drilling Block.

8.2.7 Proposals requiring 85% vote.

All matters and proposals pursuant to the following:

- Subsection 20.2.4 (Final Determination)

must have the affirmative vote in writing of two or more Parties owning at least eighty-five percent (85%) of the Working Interest entitled to vote on the matter for approval and to be binding on all Parties.

ARTICLE 9: EXPLORATION PROCEDURE

9.1 Exploration Program Consultation Prior to September 1 of each year, Operator shall furnish the Parties entitled to participate in the Operations with an outline describing the major exploratory activities and objectives and their related estimated Expenditures (including but not limited to information about other exploratory activities, seismic programs, core holes, permitting, wells, and drilling Facilities), which Operator proposes for the next two succeeding Drilling Seasons. Prior to September 10 the Parties entitled to participate may provide the Parties with the work proposals that they wish to be included. On or about September 20 of each year, Operator shall furnish the Parties entitled to participate with a cumulative outline describing the major exploratory activities and objectives and their related estimated Expenditures (including but not limited to information about other exploratory activities, seismic programs, core holes, permitting, wells, drilling, and Facilities), which any Party proposes for the next two succeeding Drilling Seasons. As an alternative, the Parties may call a meeting pursuant to Section 8.1 to discuss major exploratory activities and related Expenditures during the month of September. While such meeting and discussion will not be subject to the provisions herein set forth with respect to voting and approval of proposed Operations, and any decisions reached will remain subject to the specific provisions of this Agreement relating to participation in any Operation, the Parties will endeavor to agree in principle upon such major exploratory activities for the next two succeeding Drilling Seasons for planning purposes.

9.2 Procedure to Initiate Exploratory Drilling All Exploratory Wells for a Drilling Season shall be proposed as follows:

A. By October 1 for the following Winter Drilling Season.
B. By March 1 for the following Summer Drilling Season.

A Working Interest Owner shall not be prevented from proposing a well after such dates specified in A and B above; however, no more than two well proposals per Party may receive Approval of the Parties after the specified date for a Drilling Season.

9.3 Limitation on Exploration Expenditure Operator shall not, without the consent of all Parties entitled to participate therein, to be confirmed in writing within forty-eight (48) hours (exclusive of Saturday, Sunday, and federal holidays) of such consent, undertake any single exploration project reasonably estimated to require a Expenditure in excess of a gross amount of ONE HUNDRED THOUSAND DOLLARS ($100,000), except in connection with the conduct of an Operation that has been otherwise authorized pursuant to this Agreement.

Operator shall furnish to Participating Parties informational copies of Operator's authorizations for Expenditures (AFE) or itemization of estimated exploration Expenditures in excess of a gross amount of FIFTY THOUSAND DOLLARS ($50,000) or for any lesser amount if prepared for Operator's own use.

Operator shall prepare and submit to Participating Parties on a monthly basis a current summary estimate of Expenditures to date and a summary estimate of the total Expenditures of each Exploratory Well. If, during the Drilling of an Exploratory Well, it appears that the total Expenditures will exceed the latest estimated total Expenditures, Operator shall prepare and submit to each Participating Party for informational purposes only a detailed supplemental estimate showing the new estimated total Expenditures of the well provided; however, Operator need not submit a detailed estimate unless the new estimated total Expenditures exceeds the latest previous detailed estimated Expenditures by more than fifteen percent (15%). During Operations for Drilling, Operator shall make every effort to keep its Expenditure records for each well on a current weekly basis so that it will be able to predict with reasonable accuracy at any given time whether or not the actual Expenditures of the well will exceed the estimated total Expenditures previously submitted by Operator.

If during the Drilling of a Exploratory Well, it appears that the actual total Expenditures will exceed the latest approved AFE for such well by fifteen percent (15%) or more, Operator shall promptly prepare and submit for approval of the Participating Parties a detailed supplemental AFE showing the new estimated total Expenditures. In any case, Operator shall use its best efforts to give no less than seven (7) days notice in advance of the anticipated fifteen percent (15%) excess expenditure to the Participating Parties. Each Participating Party shall have a period of seven (7) days, including Saturday, Sunday and holidays, after receipt of such notice to notify Operator whether it desires to participate in such additional Expenditures beyond one hundred fifteen percent (115%) of the latest approved AFE, provided that if standby charges are then being incurred each Participating Party shall have only forty-eight (48) hours (exclusive of Saturday, Sunday, and federal holidays) to so notify Operator. Failure of a Participating Party to respond shall be deemed an election not to participate in such additional Expenditures. If all Participating Parties elect to participate, Operator shall continue the further Drilling of the well for the account of all such Parties. If fewer than all Participating Parties elect to participate Operator shall promptly inform the Parties, in writing, of the result of the vote(s) and give each Party forty-eight (48) hours (exclusive of Saturday, Sunday, and federal holidays) to change their vote. After the final vote, the Non-Participating Party shall be subject to the provisions of ARTICLE 12, which shall apply to all intervals Drilled below the point at which the one hundred fifteen percent (115%) amount is expended. If no Participating Party elects to participate, then the Operator shall Plug and Abandon the well at the expense of the Participating

Parties. This provision shall not be applicable in the event the over expenditure is the result of a blowout, explosion, fire, flood, storm, hurricane, earthquake, catastrophe, or other sudden emergency. In case of emergency, Operator may make such Expenditures, as in its opinion are necessary to safeguard life and property and to prevent pollution, but Operator shall, as promptly as possible, report the emergency to the Participating Parties, and the estimated expense.

ARTICLE 10: GEOPHYSICAL OPERATIONS

10.1 Geophysical Notice In the event any Party to this Agreement proposes to conduct Geophysical Operations on the Subject Lands during the term of this Agreement, the Party proposing such Geophysical Operations shall notify the other Parties in writing describing all aspects of the Geophysical Operations (including, without limitation, what entity will be conducting the field acquisition, the parameters of the field acquisition, the party that will be conducting the processing, the parameters of the processing, and the nature and timing of the deliverables) and the expected costs of such Geophysical Operations and each of the other Parties must reply to the proposing Party in writing thirty (30) days after receipt of the notice as to whether it elects to participate for its share as the Parties may mutually agree (hereinafter referred to as "G&G Share"). It is hereby recognized that all Participating Parties shall be entitled to receive both field data and processed data at the same time as the other Participating Parties and no later. Failure to respond within the thirty (30) day period, except as expressly provided otherwise herein, will be deemed an election not to participate in the Geophysical Operations. Except as to Section 10.2, any Party electing not to participate will not receive any data resulting from the Geophysical Operations. The Expenditures associated with said Geophysical Operations shall be allocated among the Participating Party(ies) according to their G&G Share in the lands involved. In the event one (1) or more Parties elect not to participate in the Geophysical Operations, the Party(ies) who have elected to participate shall either withdraw from the program or proportionately share the Non-Participating Parties' share of Expenditures.

Once a program has been proposed, the Parties having the option to participate must either elect to participate, elect not to participate, or within fifteen (15) days from said proposal, request additional information regarding said program. Each Party must make its election either within thirty (30) days from receipt of said proposal as provided in this Section; or, in the event a Party or Parties request additional information, not more than five (5) days from receipt of such information, whichever is later. No Party to this Agreement shall have the right to elect to participate in only a portion of a program unless only a portion of the program is on the Subject Lands, whether the election is made at the time the program is proposed or at a later date. If only a portion of the program is on the Subject Lands, then the Parties may elect to pay its proportionate part of the program on the Subject Lands and receive the portion of the program for the Subject Lands.

10.2 Geophysical Non-Consent In the event a Party to this Agreement elects not to participate in a Geophysical Operation and, upon subsequently receiving notice that an Exploratory Well has been proposed by another Party to this Agreement, desires to use the data from the program in order to evaluate whether to join in the proposed Exploratory Well, the Party may do so by contributing one and one-half (1-1/2) times the amount it would have

contributed had it originally elected to participate in the program. This payment shall be made in cash, divided proportionately among the original Participating Party(ies) and payable upon receipt of the data.

10.3 Geophysical Terms and Conditions All Geophysical Operations conducted pursuant to the terms of this Agreement shall be subject to the following conditions:

A. Ownership. All data, information and records ("Data") obtained directly from Geophysical Operations shall be owned jointly in proportion to any Parties' participation by all Party(ies) who participate in the Geophysical Operations unless precluded by prior agreement or license.

B. Accounting Procedure. For accounting purposes, Geophysical Operations conducted under this Agreement shall be governed by Exhibit I.

C. Confidentiality. The Participating Party(ies) agree that the Data received subject to this Agreement, any copies thereof, any supporting field notes and any new adaptations therefrom, including the Data in reprocessed form (but not including any analysis or interpretation), shall be maintained as confidential, shall be for its own internal use only and that the Data shall not be disclosed, sold, traded, distributed, transferred, disposed of or otherwise made available to third party(ies) except under the following conditions:

(1) The Participating Party(ies) may provide the Data to a consultant for the preparation of an analysis or interpretation or for reprocessing, provided such consultant agrees in writing to treat the Data as confidential and any reprocessed version of the Data, whether prepared by such consultant or by Participating Party itself, shall be marked that Participating Party is the owner of the Data;

(2) Participating Party(ies) may provide copies of the Data to an Affiliate of Participating Party, provided that such Affiliates agree to hold all such Data in confidence;

(3) Such Data may be shown to, and copies thereof provided to, agencies of federal and state governments having jurisdiction to the extent required by applicable law or regulation provided that Participating Party shall promptly advise the other Participating Party(ies) in writing of full details of each request, demand or order, etc. for the Data, to whom disclosure is to be made, and the law or regulation requiring disclosure and shall take all actions, and assist in taking all actions, as permitted by applicable laws and regulations to object to such disclosures and to require the confidential treatment of the Data which must be disclosed.

(4) Participating Party(ies) may show the Data to, but not provide copies thereof, to any third party(ies) with which Participating Party proposes to conduct good faith negotiations at arms length with respect to

the development of minerals in, or under any region which is geologically related to the area on which the Data was taken, such agreements to include farmout agreements, joint exploration, development, production or oil and gas pipeline agreements, and any financing agreements including joint ventures, as well as agreements for sale, lease or assignment of any fee, mineral or leasehold interest which Participating Party may obtain in any region which is geologically related to the area on which the Data was taken, provided that such third parties agree to treat all such Data as confidential under a separate agreement.

10.4 Speculative Seismic Surveys. In the event that a Party desires to participate as an initial underwriter in a speculative seismic survey over the Subject Lands it shall notify the other Parties and give such other Parties the particulars of such desired participation. Such notice shall not constitute a Geophysical Operations proposal under this ARTICLE 10.

ARTICLE 11: DRILLING, DEEPENING OR SIDETRACKING OF EXPLORATORY WELLS

11.1 Approvals Necessary for Drilling, Deepening, or Sidetracking Exploratory Wells In order to be entitled to the rights, benefits, and obligations provided in this Agreement, except as provided in Section 11.5, no Exploratory Well, other than a Required Well shall be Drilled, Deepened, or Sidetracked unless the proposal receives the Approval of the Parties in the Subject Lands.

11.2 Proposal to Drill Exploratory Well Subject to the provisions of Sections 9.2 (Procedure to Initiate Exploratory Drilling), 9.3 (Limitation on Exploration Expenditure) and 11.1, any Party that owns a Working Interest in the proposed Objective Depth and the Drillsite Block for an Exploratory Well within the Subject Lands, may propose the Drilling of such Exploratory Well or Wells. Such Party may propose such well by giving to each other Party owning a Working Interest in the proposed Objective Depth and the Drilling Block written notice thereof, providing (a) the surface and bottomhole location of the well; (b) the Objective Depth to which the well is to be Drilled; (c) a detailed Drilling, testing, and abandonment plan for the well; (d) estimated detailed costs, properly itemized (including testing and abandonment or suspension), of the well; (e) each Party's Working Interest; (f) any applicable Approved Development Areas to be penetrated by such well; and (g) the area comprising the Drilling Block. Those Parties owning a Working Interest in said applicable Drilling Block shall be entitled to participate in such Exploratory Well. Each Party that has the right to participate in the Drilling of the well as proposed shall give Operator notice of its vote in writing within thirty (30) days after receipt of such notice regarding the proposal(s) that seeks Approval of the Parties. Operator shall promptly inform the Parties, in writing, of the results of the vote(s). For the proposal(s) receiving the Approval of the Parties, as provided in Section 8.2, each Party, including Operator in its capacity as a Working Interest Owner, shall give the proposing Party and Operator notice of its participation election by First Class United States mail, Federal Express, facsimile, e-mail or telephone to be subsequently confirmed in writing, within fifteen (15) days (forty-eight [48] hours [exclusive of Saturday, Sunday, and federal holidays] if a rig is

on location, standby charges are being incurred, and the proposed well was outlined at the most recent meeting pursuant to Section 8.1) after receipt of the notice that such Operation(s) had received the Approval of the Parties. Notwithstanding the foregoing, the participation election period for a Required Well shall be extended to thirty (30) days. Failure of a Party to respond to a notice under this Section within the time required shall be deemed to be (i) a negative vote for a notice seeking Approval of the Parties, and (ii) an election not to participate in the Exploration Well under the participation election proposal. If all Parties elect to participate in a well proposal, Drilling for said well shall be commenced or caused to be commenced by the Operator for the account of all Parties within twelve (12) months from the date notice of the proposal of the Exploratory Well has been received. If fewer than all Parties elect to participate, and the proposal receives the Approval of the Parties, then those Participating Parties shall have the right to have the Operator Drill the well, subject to the provisions of Section 11.3.

11.3 Exploratory Drilling and/or Exploratory Operations by Fewer than All Parties If, after following the procedures of Sections 11.2, 11.4, 11.6 and 11.7, and for a Deepening Operation, Section 11.5, all of the Parties entitled to participate in the proposal have not elected to do so, and the proposal received the Approval of the Parties, the Operator shall inform all of the Parties of the elections made, whereupon any Party originally electing not to participate may then elect to participate by notifying the Operator within forty-eight (48) hours, (exclusive of Saturday, Sunday, and federal holidays), after receipt of such information. Operator shall then so notify the Parties electing to participate in writing and each such Party shall have ten (10) days (twenty-four [24] hours (exclusive of Saturday, Sunday, and federal holidays) if a rig is on location and standby charges are being incurred) after receipt of such notice to notify the other electing Parties in writing of its desire to (a) limit participation to such Party's Working Interest or (b) carry its proportionate share of the Working Interest that would have otherwise been allocated to the Non-Participating Party. Failure of a Party to respond within the given time frame shall be an election under (a) above. If each Party does not elect under (b) above, then within ten (10) days (twenty-four [24] hours (exclusive of Saturday, Sunday, and federal holidays) if a rig is on location and standby charges are being incurred) of the expiration of the preceding ten (10) day or twenty-four (24) hour (exclusive of Saturday, Sunday, and federal holidays) period, the Parties who originally elected to participate in the Operation shall agree as to the percentage of the outstanding Working Interest that each will carry and notify the other Parties of such agreement. If at the expiration of the said ten (10) day or twenty-four (24) hour (exclusive of Saturday, Sunday, and federal holidays) period the Parties have not come to an agreement regarding the complete funding of said Exploratory Well, the proposal shall terminate immediately.

For purposes of this Section 11.3, the Participating Parties shall have the right, for a period of twelve (12) months from the date notice of the proposal of the Exploratory Well has been received, within which to commence actual Drilling Operations with a drilling rig and tools capable of satisfactorily reaching the Objective Depth and location designated in said notice. If Operations for the Drilling of said well are not commenced within said period or the well is Drilled but Plugged and Abandoned without reaching the Objective Depth, and if a Substitute Well is not to be commenced pursuant to Section 11.4, the proposal shall terminate and the election of any Party not to join in the Drilling of said well shall be of no force and effect and all rights and privileges accruing hereunder to the Participating Parties by reason of having elected

to participate in said Operation shall terminate. The Participating Parties may also mutually agree to terminate the proposal at any time by giving notice to all Parties, with the same effect. If the Participating Parties commence Operations for the Drilling of said well within the time specified, it shall proceed with such Operations with diligence and Drill the well as specified in said proposal in a bona fide effort to find oil and/or gas. If Operator is a Non-Participating Party, then the Participating Parties shall have the right to have the Operator conduct the Drilling of such well. If the Exploratory Well is Drilled to the Objective Depth for the account of fewer than all Parties, the provisions of ARTICLE 12 relating to Relinquishment of Interest by a Non-Participating Party shall apply.

11.4 Substitute Well If impenetrable conditions or mechanical difficulties are encountered which render impracticable further Drilling of an Exploratory Well Drilled pursuant to this Agreement before the Objective Depth is reached, or if the Objective Depth has been reached but the proposed logs have not been obtained, the Participating Parties may Drill a Substitute Well(s) at a mutually agreed upon location and projected to a bottomhole location within five hundred (500) horizontal feet from the original Objective Depth and bottomhole location. The Participating Parties shall commence the actual Drilling of the Substitute Well as soon as practicable, but not more than fifteen (15) months after the original well was suspended provided that it is Operator's opinion that the total cumulative costs of achieving the original objective, including the costs of the original and any Substitute Well(s), will not exceed the most recently approved AFE by fifteen percent (15%). If the total cumulative costs are expected to exceed the most recently approved AFE by fifteen percent (15%), then Operator shall first prepare and submit a supplemental AFE for the Approval of the Parties in the Exploratory Well. If such Approval of the Parties is received, the approving Parties shall have the right to have the Operator proceed with the Operation subject to Section 11.3. If such Approval of the Parties is not received, the well shall be Plugged and Abandoned. For the same reasons and in like time, the Participating Parties may commence the actual Drilling of any number of consecutive Substitute Wells. Any such Substitute Well shall, for all purposes, be deemed to be the well for which it is the substitute and shall be subject to all provisions of this Agreement for an Exploratory Well. Impenetrable conditions under this Section 11.4 shall mean conditions under which a prudent Operator would cease Drilling.

11.5 Election at Casing Point After any Exploratory Well has been Drilled to the Objective Depth or formation as stated in the well proposal and all appropriate well information has been furnished to all Participating Parties, hereinafter sometimes referred to as casing point, Operator shall immediately notify each Participating Party by a telephone call to be confirmed in writing, setting forth whether Operator desires to perform a cased production test on the well, to Deepen, Sidetrack, temporarily suspend, or Plug and Abandon the well. In the event of a Deepening proposal, Operator shall provide the estimated costs and the operational details of such Operation, including the Objective Depth and formation and bottomhole location. Each Participating Party shall have a period of forty-eight (48) hours (exclusive of Saturday, Sunday, and federal holidays) after said telephone notice within which to notify Operator by telephone, to be confirmed in writing, of its election to participate in the proposal. Each Participating Party shall also have the right to make a counterproposal for another Operation within said forty-eight (48) hour (exclusive of Saturday, Sunday, and federal holidays) period. Notwithstanding the foregoing, in the event stand-by costs are not being incurred and location access is not in

jeopardy, all subsequent operations must procedurally follow the mechanics set out in Section 11.2 for the Drilling of an Exploratory Well. If a Participating Party makes a proposal for an Operation other than as proposed by Operator, then Operator shall notify each Participating Party as to which proposal will be considered first, in accordance with the priority of Operations herein below. Such Parties shall, within twenty-four (24) hours (exclusive of Saturday, Sunday, and federal holidays) (or within forty-eight [48] hours [exclusive of Saturday, Sunday, and federal holidays] in the event of a Sidetracking proposal) after receipt of notification by Operator as to the proposal to be considered first, notify Operator of its election to participate in the proposal. Failure of a Participating Party to respond within the periods herein provided shall be deemed an election to not participate in the proposed Operation. A Sidetrack Operation, cased production test or Deepening Operation shall require the Approval of the Parties entitled to vote in the Exploratory Well; except if conflicting proposals for further Operations are made hereunder and the Approval of the Parties is not obtained or if multiple conflicting proposals receive Approval of the Parties, then the priority of Operations by the Participating Parties shall be: (1) cased production test at the objective formation; (2) Deepening; (3) Plug Back; (4) Sidetracking; (5) temporarily suspend the well, (6) Plugging and Abandonment. The Operation conducted under this priority of Operation provision shall be deemed to have Approval of the Parties. If all the Participating Parties elect to participate in an Operation, Operator shall conduct the proposed Operation for the account of all such Parties, but if fewer than all Participating Parties (but one or more) elect to participate in such Operation, the provisions of ARTICLE 12 shall apply to the Operation. If fewer than all previous Participating Parties elect to participate in a cased production test, the costs and risk of such Operation shall be shared and borne by each Party electing to participate therein in the proportion that its respective Working Interest bears to the total of the Working Interests of all Parties participating therein. If fewer than all previous Participating Parties elect to participate in a Deepening proposal, the Working Interests shall be determined pursuant to Section 11.3 and 11.7. Should no Participating Party elect to perform a cased production test or to Deepen or Sidetrack the well, Operator shall Plug and Abandon the well at the joint costs of all Participating Parties. The provisions of this Section shall again be applicable following the conclusion of all Operations or in the event an Operation proposed herein terminates.

11.6 Sidetracking Operations If at casing point a Participating Party desires to propose Sidetracking Operations in such well for the purpose of Drilling a new well with a distinct bottomhole location from the original well, such proposal shall be made by giving to each other Participating Party written notice thereof, stating (a) the bottomhole location of the Sidetrack; (b) the Objective Depth and formation to which the well will be Drilled; (c) a detailed Drilling and testing, or abandonment plan for the well; (d) the estimated costs of the well properly itemized; (e) each Party's Working Interest; and (f) associated Drilling Block. Each Participating Party in the well shall notify each other Participating Party and Operator of its election to participate in writing, by facsimile, e-mail, or telephone to be subsequently confirmed in writing, within forty-eight (48) hours (exclusive of Saturday, Sunday, and federal holidays) after receipt of the initial notice, or after the receipt of notification by Operator as to the proposal to be considered first if a Participating Party made a counter proposal. Failure of a Party to respond shall be deemed to be an election not to participate. Subject to Section 11.7, if all Participating Parties elect to participate, the Operation shall be conducted by the Operator for the account of all Parties. If fewer than all Parties elect to participate, but the proposal receives the

Approval of the Parties in accordance with Section 11.5, then those approving Parties shall have the right to have the Operator conduct the Operation, subject to the provisions of Section 11.3 and ARTICLE 12. Any Non-Participating Party of such new well shall receive credit for its share of net Salvage Value, if any, in the original hole as if such well had been Plugged and Abandoned.

11.7 Right to Join in Deepening or Sidetracking When a well Drilled for the account of fewer than all Parties reaches its proposed Objective Depth and a Participating Party or Participating Parties obtain approval in accordance with Section 11.5 or 11.6 to Deepen or Sidetrack the well, the Operator shall immediately notify each Non-Participating Party and each Party owning a Working Interest in the Objective Depth within the associated Drilling Block that had not previously permanently relinquished all its rights and Working Interest to the zones into which the well will be Deepened or Sidetracked by a telephone call to such Party's representative, to be confirmed in writing. Such notice to each such Party shall provide the same information required for proposing the Deepening or Sidetracking Operation. Each such Party shall have forty-eight (48) hours (exclusive of Saturday, Sunday, and federal holidays) after receipt of such telephone notice within which to elect to join in such Deepening or Sidetracking Operation provided that it had not previously permanently relinquished all its rights and Working Interest in the associated Drilling Block as to the zones into which the well will be Deepened or Sidetracked. Failure of such Party to respond within the period herein provided shall be deemed an election to not participate in the proposed Operation. If such Party elects to participate, such Party shall pay to the Participating Parties of the original well its share of the costs for Drilling the original well based on its Working Interest as if it had originally participated in the well down to the depth at which the Sidetracking or Deepening in the original well is to be commenced. Thereafter, such Party's Working Interest in the costs of the Sidetracking or Deepening Operation shall be calculated on its Working Interest in the associated Drilling Block. If fewer than all such Parties elect to participate in such Operation, the provisions of ARTICLE 12 shall apply to the Operation. A Party's joinder in Deepening or Sidetracking Operations under this Section shall not alter any acreage assignment rights as provided in ARTICLE 12 that the Participating Parties may have earned by Drilling down to the point where such Party joined in the Deepening or Sidetracking.

11.8 Obligations and Liabilities of the Parties A Party electing not to participate in any Operation provided for in Sections 9.3, 11.5, 11.6, or 11.7 above shall be relieved of the obligations and liabilities associated with such Operation except as to its share of the costs of Plugging and Abandoning that portion of the well in which it participated and the applicable non-consent penalties of ARTICLE 12. However, drilling rig and support Facilities stand-by charges incurred during an election period shall be considered part of the costs of the Operation just completed, and as such, shall be borne by the Parties participating in such Operation. Stand-by charges incurred subsequent to the Parties' response or expiration of the election period, whichever first occurs, shall be considered part of the costs of the proposed Operation and shall be borne by the Parties participating therein.

11.9 Contributions In the event any Party has received an offer, either oral or in writing, for a cash contribution (including the sale of a production payment, the proceeds of such sale being committed to the payment of well costs), or an acreage contribution for the Drilling of

a well, it shall promptly give notice of such offer to all the Parties and shall include information as to the amount and terms under which the cash or acreage contribution is tendered. The pendency, offer, or acceptance of such an acreage or cash contribution shall not alter the procedure for joinder or non-joinder in the Drilling of a well, nor create a new election to join such well. Any such cash contribution except a contribution to be repaid out of Unitized Substances, if and when received, shall be credited against the costs of Drilling such well prior to the computation of total well costs for purposes of applying ARTICLE 12. Any such acreage contribution, if and when received, will be shared by the Participating Parties in proportion to their Working Interests in the well.

11.10 Allocation and Sharing of Mobilization and Demobilization Costs Mobilization Costs for the Drilling of any well (excluding Sidetracks) on the Subject Lands shall be charged to the first well Drilled by the rig as well costs. Should any subsequent well or wells be Drilled by this same drilling rig under the same Drilling contract during a single Drilling Season (i) on the Subject Lands, or (ii) employed in any other well by, for, or under permission of one or more of the Parties hereto controlling the drilling rig, Mobilization Costs shall be charged equally to the total wells Drilled whether on the Subject Lands or not. The Demobilization Costs shall be equally allocated to the wells Drilled by the drilling rig and shall be paid by the Participating Parties participating in such wells Drilled.

11.11 Drilling Block Details A Drilling Block shall be established and become effective as of the date the associated Exploratory Well proposal receives the Approval of the Parties. If Operations for the Drilling of an Exploratory Well are not commenced within twelve (12) months from the date notice of the proposal of the Exploratory Well has been received, such Drilling Block shall thereupon terminate. A Drilling Block shall remain in full force and effect from the surface of the soil to the center of the earth until one (1) year from the date the drilling rig is released from location. On the first anniversary of the date the drilling rig was released from location such Drilling Block shall contract (i) vertically to encompass only from the surface of the soil to one hundred feet (100') below the stratigraphic equivalent of the base of the deepest zone or formation that was capable of producing in Paying Quantities; and (ii) horizontally to encompass only the Drillsite Block and all surrounding twelve (12) one quarter (1/4) Legal Subdivisions, limited to a maximum of four (4) Legal Subdivisions including the Drillsite Block. If the Exploratory Well for which the Drilling Block was established is not capable of producing in Paying Quantities the entire Drilling Block shall terminate one (1) year from the date the drilling rig is released from location. Notwithstanding the foregoing, in the event a Drilling Block established for an Exploratory Well overlaps a preexisting and active Drilling Block, any such overlapping area shall not be included in the new Drilling Block for the purpose of relinquishment pursuant to Section 12.1; however, such overlap shall be included in the new Drilling Block for the purpose of determining funding allocation. Notwithstanding the termination of a Drilling Block, any relinquishment or assignments made by a Non-Participating Party shall remain and is not subject to a right of re-assignment.

ARTICLE 12: RELINQUISHMENT OF INTEREST BY NON-PARTICIPATING PARTY

12.1 Relinquishment for Drilling, Deepening, and Sidetracking of an Exploratory Well A Non-Participating Party shall not have access to Operations for such well or receive well information. Whenever an Exploratory Well is Drilled, Deepened, or Sidetracked for the account of fewer than all Parties having the right to participate therein, then upon commencement of any such Operation, each Non-Participating Party shall be deemed to have relinquished, as more particularly set forth below, all of its Working Interest in the well. Any such relinquished Working Interest shall be allocated to each Participating Party in the proportion that the share of such relinquished Working Interest a Participating Party is carrying bears to the total carried Working Interest that would have been allocated to all Non-Participating Parties if they had participated in the Operation. If the Participating Parties do not Drill, Deepen, or Sidetrack the well to the Objective Depth specified in the proposal, the deemed relinquished interest for such Operation is deemed returned to the Party having relinquished such interest. If the Participating Parties Drill, Deepen, or Sidetrack the well to the Objective Depth initially specified in the proposal, then upon reaching such Objective Depth, each Non-Participating Party shall assign and transfer, using the form attached as Exhibit M, to the Participating Party(ies), proportionately as described above, subject to the limitations of Sections 11.11 and 12.2, one hundred percent (100%) of its Working Interest in the well and the Drilling Block established for such Exploratory Well.

12.2 Exclusions from Relinquishment NOTWITHSTANDING ANYTHING IN THIS ARTICLE 12 TO THE CONTRARY, THERE SHALL BE NO RELINQUISHMENT PURSUANT TO THE TERMS OF THIS ARTICLE 12 OF ANY PARTY'S INTEREST IN ANY PARTICIPATING AREA OR APPROVED DEVELOPMENT AREA ABOVE THE STRATIGRAPHIC EQUIVALENT OF ONE HUNDRED (100) FEET BELOW THE BASE OF THE DEEPEST RESERVOIR USED TO ESTABLISH SAID PARTICIPATING AREA OR APPROVED DEVELOPMENT AREA OR THAT OVERLAPPING PART OF A DOMINANT DRILLING BLOCK AS DEFINED IN SUBSECTION 8.2.6 IN WHICH A NON-PARTICIPATING PARTY IN THE OTHER DRILLING BLOCK OWNS A WORKING INTEREST AND PARTICIPATES IN THE DOMINANT DRILLING BLOCK. Additionally, notwithstanding anything in this ARTICLE 12 to the contrary, no Party shall be required to relinquish an interest unless it had the opportunity to participate in the applicable Exploratory Well.

12.3 Relinquishment for Cased Production Test Whenever a cased production test is conducted for the account of fewer than all Participating Parties, then upon commencement of such Operations, the Non-Participating Parties shall be deemed to have relinquished to the Participating Parties, proportionately as to their Working Interest in such Operation, all of the Non-Participating Parties rights to Unitized Substances (whether or not produced by such well) from any Participating Area that includes such well and produces from the zones or formations tested in the cased production test and all proceeds from the sale of any or all of said Unitized Substances, until such time as the proceeds of the sale of said Unitized Substances, (after deducting production taxes, excise taxes, and Lease Burdens) shall equal five hundred percent (500%) of the costs of conducting the cased production test which would have been chargeable to such Non-Participating Party if it had participated in same, plus (i) interest on the costs of conducting the cased production test, calculated to the date paid on the basis of a 360 day year, at the prime rate (or then equivalent rate, howsoever designated) being charged from time to time

by Citibank, N.A. of New York, New York (or such banking institution as shall have then succeeded to the New York banking business of Citibank, N.A., or, absent such a successor of Citibank, N.A., such other major New York bank as shall be designated by the Participating Parties), compounded quarterly (not in excess however of the maximum nonusurious total amount of interest permitted by applicable law), and (ii) one hundred percent (100%) of the Non-Participating Party's share of the costs of operating of the well(s) commencing with first production and continuing until the Non-Participating Party's relinquished interest shall revert to it as prescribed hereunder.

If and when the Participating Parties recover from a Non-Participating Party's relinquished interest the amount provided for above, the relinquished interest of such Non-Participating Party shall automatically revert to the Non-Participating Party. Such Non-Participating Party shall not relinquish, by reason of its non-participation in such Operation, any other attribute of its Working Interest in the Subject Lands.

12.4 Materials and Facilities Used in Non-Joint Operation All materials and Facilities in or appurtenant to a well in which an Operation for Drilling, Deepening or Sidetracking a well is conducted for fewer than all Parties shall be owned by the Participating Parties in proportion to their respective Working Interests in the Expenditures thereof. In case of a cased production test, any materials or Facilities in or appurtenant to the well at the time of the commencement of the Operation and which are necessary for the conduct of such Operation may be used by Participating Parties so long as necessary. Upon reversion of a Non-Participating Party's relinquished interest pursuant to Section 12.3, such Non-Participating Party shall become the owner of that same interest in the Facilities and materials acquired hereunder. Any amount realized from the sale or disposition of Facilities acquired in connection with any Operation conducted under this ARTICLE 12 which would otherwise be owned by a Non-Participating Party had it participated therein shall be credited to the total unreturned Expenditures of such Operation and the Expenditures of operating the well that is chargeable against the relinquished interest of such Non-Participating Party as above provided, and the balance, if any, shall be paid to such Non-Participating Party.

12.5 Expenditures and Unitized Substances Statements The Expenditures of any Operation conducted for fewer than all Parties shall be determined in accordance with Exhibit I. Operator shall furnish to all Parties, except Parties which have relinquished acreage under Section 12.1, the estimated final Expenditures for Operations, subject to Section 12.1 and Section 12.3, within thirty (30) days after its Completion and a full statement of such Expenditures shall be furnished by Operator to said Parties within one hundred fifty (150) days after Completion of the Operation; provided, however, that the Operator may, in lieu of such full statement, submit monthly a statement of the Expenditures incurred during the preceding month. Until the Non-Participating Party's relinquished interest reverts to it, Operator shall furnish to all Parties that were eligible to participate in such well, except Parties which have relinquished acreage under Section 12.1, once each month, a statement of the Expenditures of operating the well, such Expenditures being likewise determined in accordance with Exhibit I, and also Operator shall furnish monthly to such Parties a statement of the quantity of Unitized Substances from the well or wells during the preceding month together with the amount of the proceeds realized from the sale of all available Unitized Substances from the well during the preceding

month. For the avoidance of doubt, any Non-Participating Party which has relinquished and assigned leasehold Working Interests pursuant to this ARTICLE 12 shall not be entitled to any production or accounting information or statements described in this Section 12.5

12.6 Relinquishment Liabilities No relinquishment hereunder will relieve the relinquishing Working Interest Owner of any known or unknown obligations or liabilities incurred or arising out of a transaction or event occurring prior to the effective date of such relinquishment, and for these purposes and the purposes of Sections 11.8 and 12.1, the commencement of the Operation by the Participating Parties shall be deemed to be the effective date for determining the obligations and liabilities of the Non-Participating Parties incurred or arising from an Operation, transaction or event.

ARTICLE 13: UNIT FORMATION AND REVISIONS

13.1 Unit Formation and Required Approval A proposal to create a unit with the Proper Authority shall require Approval of the Parties in the Subject Lands. The form of Unit Agreement shall require Approval of the Parties in the Unit Area. This Agreement shall serve as the Unit Operating Agreement to control and govern all Operations under the Unit Area, without modification, except as may be necessary as to form only.

13.2 Participation in discussions with the DNR The Operator shall invite the other Parties, by giving notice of not less than 15 days, if possible, to the other Parties, to participate in all discussions, meetings, or presentations with representatives of the State of Alaska ("DNR"), for issues that affect the Subject Lands with regard to unit creation, unit contraction, unit expansion, plans of development, and plans of exploration. The Operator shall provide draft copies to the other Parties for their review and comment not less than thirty (30) days prior to submitting any formal applications to the DNR.

13.3 Unit Expansion The Operator or any other Working Interest Owner shall be authorized to file an application with the Proper Authority to expand the Subject Lands subject to a Unit upon Approval of the Parties. Upon approval of the Proper Authority, such lands shall be committed to this Agreement.

13.4 Unit Contraction The Operator or any other Working Interest Owner shall be authorized to file an application with the Proper Authority to contract the Subject Lands subject to a Unit upon:

A. Approval of the Parties; and

B. Approval of the Parties in each lease to be contracted; provided, however, that if the Working Interest of the Parties in a lease to be contracted differs as to any depth in any portion of the lease, then Approval of the Parties shall be required as to each depth in which the ownership differs. Upon approval of the Proper Authority, such lands shall be excluded from this Agreement.

ARTICLE 14: UNIT PLANS OF EXPLORATION AND DEVELOPMENT

14.1 Submittal of Plans Each unit plan of exploration or unit plan of development for the Subject Lands shall be submitted by the Operator to the Proper Authority in accordance with the Unit Agreement and the further provisions of this Article.

14.2 Proposal Operator shall initiate each proposed plan by submitting the same in writing to each Working Interest Owner at least sixty (60) days before filing the same with the Proper Authority. If, within such period a plan of exploration receives the Approval of the Parties in the Subject Lands, then such plan shall be filed with the Proper Authority. If, within such period a plan of development receives the Approval of the Parties in the relevant Participating Area(s) or Approved Development Area, then such plan shall be filed with the Proper Authority.

14.3 Objections to Plan Within thirty (30) days of receipt, any Working Interest Owner may submit to Operator written objections to such plan. If, despite such objections, the plan receives the Approval of the Parties, then the Working Interest Owner making the objections may file their objections to such plan with the Proper Authority and copy all Working Interest Owners.

14.4 Revised Plan If such plan does not receive the Approval of the Parties, and Operator receives written objections thereto, then Operator shall submit to the Working Interest Owners a revised plan, taking into account the objections made to the first plan. If no plan receives the Approval of the Parties within sixty (60) days from submission of the first plan, then Operator shall file with the Proper Authority a plan reflecting as nearly as practicable the various views expressed by the Working Interest Owners.

14.5 Rejection of Plan If a plan filed by Operator as above provided is rejected by the Proper Authority, Operator shall initiate a new plan in the same manner as provided in Section 14.2, and the procedure with respect thereto shall be the same as in the case of an initial plan. If the Proper Authority imposes any conditions on approval of a plan, such conditions must be submitted to the Parties for approval before acceptance.

14.6 Notice of Approval or Disapproval If and when a plan has been approved or disapproved by the Proper Authority, Operator shall give prompt notice thereof to each Working Interest Owner.

14.7 Supplemental Plans If the requisite Working Interest Owners elect to proceed with a Drilling, Deepening, Sidetracking, or Plugging Back Operation in accordance with the provisions of this Agreement, and such Operation is not provided for in the then current plan of exploration or plan of development, approved by the Proper Authority, Operator shall either (a) submit to the Proper Authority a request for approval of the conduct of such Operation or (b) if timing is critical, request a verbal authorization from the Proper Authority to proceed with such Operation which shall be confirmed in writing at the earliest possible date.

14.8 Cessation of Operations Under the Plan If any plan approved by the Proper Authority provides for the cessation of any Drilling or other Operation therein provided for on the happening of a contingency and such contingency occurs, Operator shall promptly cease such Drilling or other Operation and shall not incur any additional Expenditures, with the exception of necessary standby and other unavoidable Expenditures in connection therewith unless and until such Drilling or other Operation is again authorized, in accordance with this Agreement, by the Working Interest Owners chargeable with such Expenditures and by the Proper Authority.

ARTICLE 15: REQUIRED WELLS

15.1 Notice of Required Well Whenever Operator receives an order for a Required Well, it shall promptly notify each Party. If any such Party should appeal such an order, the Party appealing shall give prompt notice thereof to Operator who shall give notice of same to the other Parties affected by same, and upon final disposition of the appeal, Operator shall give each Party affected by same prompt notice of the result thereof. The Operator shall propose the Required Well to the appropriate Parties pursuant to Subsection 17.8.B, if the same is a Development Well, or pursuant to Section 11.2, if the same is an Exploratory Well and shall advise the Parties of any alternatives that are available in lieu of Drilling the well. Notwithstanding the provisions of Section 11.1, 11.2 or Subsection 17.8.B to the contrary, no Approval of the Parties is required to be obtained for a proposal to Drill a Required Well. If no notified Party elects to Drill the Required Well within the period allowed for such election, and if any of the following alternatives is available, the first such alternative which is available shall be followed (unless Approval of the Parties in the Participating Area is received to follow a different alternative):

A. Compensatory Royalties or Cash Payment. If compensatory royalties or other cash payment may be paid in lieu of Drilling the well and if such payment(s) thereof receives the Approval of the Parties who would be chargeable with the Expenditures for Drilling the well, Operator shall pay such cash payment or compensatory royalties for the Joint Account of said Parties; or

B. Contraction. If the Drilling of the well may be avoided, by contraction of the Participating Area or Unit, Operator shall follow the provisions of ARTICLE 18 and ARTICLE 14 in order to make a reasonable effort to effect such contraction pursuant to the terms of this Agreement; or

C. Termination. If the Required Well is necessary to maintain the Participating Area, Unit, or Tract, the Parties shall join in termination of the Participating Area, Unit Agreement or lease in accordance with its provisions.

If none of the foregoing alternatives are available, Operator shall immediately notify each Party. Then, unless a viable alternative is found, Operator shall Drill the Required Well as an Exploratory Well or Development Well, whichever is applicable, in accordance with the provisions of Section 11.2 or Section 17.8, respectively, and all Parties entitled to participate therein shall, without election by such Parties, be deemed to have elected to participate.

ARTICLE 16: PROPOSAL TO DEVELOP

16.1 Statement of Purpose The purpose of this ARTICLE is to outline the process by which the Working Interest Owners of a Reservoir will make the decision to develop such Reservoir for the purpose of commencing commercial production of Unitized Substances. By approving a Proposal to Develop, as provided in Section 16.4 below, and electing to participate in the Operations thereto pursuant to Section 16.5, the applicable Working Interest Owners which are the Parties owning a Working Interest in such Reservoir have committed themselves in principle to the funding of development of such Reservoir. Notwithstanding the foregoing, Operator shall not commence any Operations, the Expenditures for which exceed the Operator's Expenditures authority, without obtaining the Approval of the Parties. The participation of the Parties under this ARTICLE 16 shall be limited to those Parties that own a Working Interest in the Reservoir for which a Proposal to Develop is made hereunder.

16.2 Intent to Propose Development Any Working Interest Owner that desires to develop a Reservoir for the purpose of commencing commercial production of Unitized Substances by constructing and installing Facilities and Drilling and Completing Development Wells shall give written notice of its intent to the Operator and other Working Interest Owners. Thereafter, the Operator shall call a meeting to be held within thirty (30) days of receipt of such notice of all Working Interest Owners to discuss and review with the proposing Working Interest Owner its intended proposal and its plans, as they then exist.

16.3 Development Proposal Committee Subsequent to the meeting described in Section 16.2, the Working Interest Owners will form a development proposal committee of interested Working Interest Owners to formulate conceptual development plans and proposed studies. Any interested Working Interest Owner may participate in such committee. The committee may request the Operator to prepare and circulate a preliminary AFE, AFC or AFCs for conceptual engineering, test well for water source or other studies, which shall require Approval of the Parties. Upon receiving Approval of the Parties, the expenditures contemplated in AFE, AFC or AFCs shall be binding on the Parties approving same only. The resulting conceptual engineering, test well for water source or other studies shall only be available to the Parties paying for same. If the resulting conceptual engineering, test well for water source or other studies are utilized in the Proposal to Develop, and Non-Participating Parties desire to participate in the Proposal to Develop, then such Non-Participating Party to the studies shall pay one and one-half (1-1/2) times the actual amount it would have paid had it originally elected to participate in the program. This payment shall be made in cash, divided proportionately among the original Participating Party(ies) and payable within ten (10) days from receipt of invoice from Operator and such invoice may not be delivered until after a Proposal to Develop receives the Approval of the Parties.

16.4 Proposal to Develop Within one hundred eighty (180) days of a Working Interest Owner providing written notice of its intent to develop a Reservoir or Reservoirs for the purpose of commencing sustained production of Unitized Substances in Paying Quantities, or within one hundred eighty (180) days of completion of the necessary conceptual engineering and/or other studies which receive Approval of the Parties in the affected area, whichever is

later, the Operator as the proposing Working Interest Owner, or on behalf of the proposing Working Interest Owner, shall submit to the Working Interest Owners a formal written proposal to develop the Reservoir or Reservoirs ("Proposal to Develop"). The Primary Objective for Development of the Reservoir or Reservoirs shall be to maximize the value realized by the Working Interest Owners, as a whole, from the commercial production of Unitized Substances, consistent with regulatory and lease requirements to prevent waste, conserve natural resources, protect correlative rights (including royalty interests), and minimize environmental impacts. For the purposes of this Section, value shall be measured in terms of specific economic quantification of the project performance, considering the time value of money, using generally recognized and accepted industry methods. The Proposal to Develop shall include, but not be limited to:

A. A map and description of the Reservoir or Reservoirs targeted for development;

B. A land plat depicting the geographical boundary of the Reservoir or Reservoirs described in Subsection 16.4.A to be developed;

C. The Participating Area or Areas for which application has been or will be made with the Proper Authority in accordance with ARTICLE 18;

D. The location or locations of the proposed Facility or Facilities;

E. Reasonably detailed data and information concerning the design and engineering of the Facility;

F. The approximate timing of construction and installation of Facility or Facilities, and Drilling and Completion of Development Wells;

G. The approximate number of Development Wells and bottomhole locations thereof to be Drilled in the Participating Area or proposed Participating Area;

H. A total estimated commitment and Expenditure schedule for the first calendar year and for each subsequent year;

I. The approximate timing for initiation of sustained production of Unitized Substances and estimated annual Unitized Substances production rates;

J. A description of the recovery process or processes to which the Reservoir or Reservoirs will be subjected;

K. A forecast of future operating Expenditures with appropriate supporting details; and

L. A brief narrative summary that states the Primary Objective for Development.

The Operator will seek Approval of the Parties in the developable area specified in Subsection 16.4.B above. Such approval, if obtained, does not authorize the Operator to incur Expenditures. Authorization of the Operator to incur Expenditures will be pursuant to ARTICLE 17.

16.5 Timing of Election Upon receipt of the Proposal to Develop, each Working Interest Owner shall have one hundred and eighty (180) days in which to give its approval or disapproval of the proposal or to submit a counterproposal. Failure of a Working Interest Owner to respond within the one hundred and eighty (180) day period shall be deemed non-approval for that Working Interest Owner. Subject to Section 16.6 if the Approval of the Parties in the developable area specified in Subsection 16.4.B above is not obtained within the one hundred eighty (180) day period, the proposal shall terminate. If the Approval of the Parties is obtained within the one hundred eighty (180) day period or if arbitration is initiated pursuant to Section 16.6, as soon as the arbitrators are appointed as provided for in clause 1.4 of Exhibit L, ARTICLE 5, issues its decision, Operator shall give immediate notice thereof to the Working Interest Owners. Upon receipt of the Operator's notice that the Approval of the Parties has been obtained, or the arbitrator's decision is issued, for the Proposal to Develop, each Working Interest Owner shall have i) the remainder of the one hundred eighty (180) day period plus sixty (60) days, or ii) sixty (60) days after receipt of notice of the result of an arbitration initiated pursuant to Section 16.6, whichever is applicable, in which to elect to participate or to not participate in the Operations proposed in accordance with the Proposal to Develop by giving written notice of such election to Operator. Failure of a Working Interest Owner to respond within such time shall be deemed an election to not participate in the Operations proposed in accordance with the Proposal to Develop, and thereafter be deemed to be a Non-Development Party as more particularly described in Section 16.7.

16.6 Multiple Proposals to Develop If one or more counterproposals are made to the Proposal to Develop, the Operator shall submit each counterproposal to the Working Interest Owners. Each Working Interest Owner shall have sixty (60) days from receipt of the counterproposal, but in no event more than one-hundred eighty (180) days from the original Proposal to Develop, to vote to approve not more than one (1) of the Proposals to Develop. If more than two (2) Proposals to Develop are submitted, the two (2) proposals receiving the highest Working Interest vote will be put to a second vote. Each Working Interest Owner shall have thirty (30) days to cast this second vote. The Proposal to Develop receiving Approval of the Parties with the highest Working Interest vote in the Participating Area will become the approved Proposal to Develop.

If Approval of the Parties is not obtained for any single Proposal to Develop, but the combined votes of the Working Interest Owners for the competing proposals and counterproposals would represent Approval of the Parties, then said Working Interest Owners shall engage in good faith negotiations to resolve differences in the proposals and develop a mutually acceptable Proposal to Develop. If the Working Interest Owners are unable to obtain Approval of the Parties in the Participating Area for a single Proposal to Develop within sixty (60) days prior to the Drilling Season in which the first proposed wells are to be drilled under a

Proposal to Develop, the two proposals receiving the highest Working Interest vote shall be submitted to arbitration pursuant to Exhibit L.

16.7 Participation

A. Decision to Proceed with Proposal to Develop. If all Working Interest Owners elect to participate pursuant to Section 16.5 in the Operations proposed in the Proposal to Develop, the Operator shall proceed with Operations for the Joint Account of each affected Working Interest Owner based on its Working Interest in the Approved Development Area. If a Proposal to Develop receives the Approval of the Parties, and fewer than all of the Working Interest Owners elect to participate in the Operations proposed in said Proposal to Develop, then the Operator shall proceed with Operations for the Joint Account of the participating Working Interest Owners (Development Parties), and the Working Interest Owners who elect not to participate or who are deemed not to participate (Non-Development Parties) shall be subject to the non-consent provisions of this ARTICLE 16. At such time the Development Parties shall negotiate an Abandonment Agreement pursuant to Section 24.8.

B. Decision to Modify Proposal to Develop. If all of the Development Parties decide to make a "substantial modification" to the Proposal to Develop within three-hundred and sixty-five (365) days after the Proposal to Develop receives Approval of the Parties or arbitration results have been obtained, Operator shall submit the modified proposal to all Working Interest Owners, who had a right to participate in the Proposal to Develop, who shall have sixty (60) days from receipt of the modified proposal to elect to participate or to not participate in the Operations proposed in the modified Proposal to Develop by giving written notice of such election to Operator who shall then notify all Working Interest Owners. For the purposes of this Subsection, such a substantial modification means one or any combination of the following, 1) a change to the total number of Facilities, 2) movement of a significant Facility location more than one (1) mile from the proposed location, or 3) a change in the total estimated capital commitment of more than ten percent (10%). Failure of a Working Interest Owner to respond within the sixty (60) day period shall be deemed an election to not participate in the Operations proposed in the modified Proposal to Develop (Non-Development Party). If all Working Interest Owners elect to participate in the Operations proposed in the modified Proposal to Develop pursuant to the modified proposal, then Operator shall proceed with Operations for the Joint Account of the Working Interest Owners. If fewer than all the Working Interest Owners elect to participate in the Operations proposed in the Proposal to Develop pursuant to the modified proposal, then Operator shall proceed with the Operations for the Joint Account of the Development Parties on a non-consent basis, and the Non-Development Parties shall be subject to the non-consent provisions of this ARTICLE 16. Should fewer than all Working Interest Owners elect to participate in the modified proposal and the Development Parties decide to proceed with the Operations, the Operator shall notify the Non-Development Parties who shall have ten (10) days from receipt of the notification to change their election.

16.8 Approved Development Area Boundary

A. Initial Boundary. Upon the Proposal to Develop receiving Approval of the Parties, the geographical boundaries of the Approved Development Area for said Proposal to

Develop shall be the developable area depicted in the land plat identified in Subsection 16.4.B and the Reservoir(s) described in Subsection 16.4.A which has received the Approval of the Parties. Upon such approval, Drilling Blocks for all Exploratory Wells drilled within the Approved Development Area boundary shall immediately expire, and each Approved Development Area land plat shall be attached as a subsequent and sequential Exhibit N and shall be provided to all Parties to this Agreement by Operator. The Parties acknowledge that the formation of a Participating Area for a Reservoir shall not terminate an Approved Development Area for that Reservoir and the boundaries of the Participating Area and the Approved Development Area may differ.

B. Boundary Revisions. Any proposal to contract an Approved Development Area shall require Approval of the Parties owning the Working Interest in the Approved Development Area immediately prior to such contraction, together with the Approval of the Parties owning a Working Interest in any Tracts, or portions thereof, to be contracted from such Approved Development Area. Any proposal to enlarge an Approved Development Area shall require Approval of the Parties owning a Working Interest therein immediately prior to said enlargement, together with the Approval of the Parties owning the Working Interest in any Tracts, or portion thereof, to be added to such Approved Development Area.

16.9 Development Non-Consent Provisions If fewer than all Working Interest Owners elect to become Development Parties, then Operations conducted by the Development Parties shall herein be referred to as "Development Non-Consent Operations." The following provisions shall apply to Development Non-Consent Operations:

A. Allocation of Non-Consent Expenditures. Each Development Party shall, within ten (10) days after receipt of notice that a Party or Parties has elected not to participate in the Operations proposed in the Proposal to Develop, notify the Operator of its desire to either 1) assume only its Participating Interest in the Approved Development Area, or 2) carry its proportionate share of the Participating Interest that otherwise would have been allocated to the Non-Development Party or Parties. If the Development Parties do not reach an agreement within 90 days after receipt by the last Developing Party to receive the aforesaid notice of non-participation from the Operator with regard to the Non-Development Party's interest, the Proposal to Develop shall terminate.

B. Operator to Operate. Operator shall operate all Development Non-Consent Operations. In the event Operator or Operator's Affiliate, who is a Party to this Agreement, is a Non-Development Party, the Operator may be removed by the affirmative vote of Non-Operators having seventy percent (70%) or more of the Working Interest remaining after excluding Operator's Working Interest and the Working Interest of an Affiliate of Operator.

C. Relinquishment of Working Interest and Operating Rights. Each Non-Development Party to any Proposal to Develop shall be deemed to have relinquished and shall assign to, the Development Parties all right, title and interest to the Approved Development Area for which the Proposal to Develop applies, in the proportion that the Development Parties allocate expenditures pursuant to Subsection 16.9.A above. Following Development Party's receipt or reimbursement of all their costs attributable to the Approved Development Area from

the proceeds from the Approved Development Area, a portion of the right, title, and interest assigned by the Non-Development Party to the Development Parties shall be reassigned and calculated according to the following formula: {one minus [the decimal product of the total gross costs not contributed to the Approved Development Area by the Non-Development Party after the election not to participate divided by the total gross cost attributable to the Approved Development Area, including both exploration and development costs]}. For example, if the gross cost not paid by a Non-Development Party to an Approved Development Area amounts to $100 and the gross cost prior to the Non-Development Party's election not to participate which includes exploration costs amounts to $20, then the calculation is 100/120 and the amount to be assigned by the Development Party to the Non-Development Party would be 1- .8333 = .1667 or 16.67% of their interest. Exploration costs shall include, but not be limited to, all gross costs associated with leases, rentals, permits, surveys, seismic data, exploration wells, and studies of any kind inside the Approved Development Area. In addition, prior to the Non-Development Party receiving assignment of any of their proportionately reduced interests, the Development Party shall first receive or be reimbursed an additional 10% interest compounded monthly on that portion of the Non-Development Party's additional capital contributions paid by Development Party. The Development Party shall have one year following the election by fewer than all Working Interest Owners to participate in a Proposal to Develop to commence such Development Non-Consent Operations.

ARTICLE 17: DEVELOPMENT AND PRODUCTION OPERATIONS

17.1 Purpose and Procedure It is the purpose of this ARTICLE 17 to set forth the procedure for development and production of the Unitized Substances including, but not limited to, the construction of any Facility, and the Drilling, Reworking, Deepening, Sidetracking, or Plugging Back of Development Wells consistent with the approved Proposal to Develop. Upon the effective date of a Participating Area for a Reservoir for which an Approved Development Area has been established, the procedures set forth in this ARTICLE 17 shall apply based on the established Participating Area.

17.2 Operating Committee At the request of any Participating Party, a committee shall be established comprised of representatives of each Participating Party within the applicable Participating Area or Approved Development Area for which Operator is charged with preparing an annual Development Plan and Budget. The purpose of such committee shall be to review the status of development and production and make recommendations to Operator regarding preparation of the annual Development Plan and Budget. The committee shall meet on a quarterly basis at Operator's offices unless changed by the Approval of the Parties in the Participating Area or Approved Development Area. Prior to May 1 of each year, the operating committee shall review the Development Plan to be proposed as provided in Section 17.4. A technical meeting shall be held which will precede this review of the Development Plan by the operating committee.

17.3 General The approval process for Expenditures pursuant to this Article involves three basic steps:

A. Approval of the Development Plan,

B. Approval of a Budget that conforms to the approved Development Plan, and

C. Approval of AFEs.

17.4 Development Plan For each Participating Area or Approved Development Area, the Operator shall submit a proposed Development Plan to the Working Interest Owners on or before May 1 of each year. The basis for the first Development Plan shall be the approved Proposal to Develop. Subsequent Development Plans shall be annual updates to the preceding Development Plan. The Development Plan shall include, but not be limited to, the following:

A. The Reservoir or Reservoirs targeted for development;

B. The location or locations of any proposed Facilities;

C. The approximate timing of construction, installation of the Facilities, and Drilling and Completion of Development Wells;

D. The approximate number of Development Wells and bottomhole locations thereof to be Drilled in the Participating Area or Approved Development Area;

E. Estimated annual production rates of Unitized Substances;

F. A description of the recovery process or processes to which the Reservoir or Reservoirs will be subjected; and

G. Projected manpower requirements and organizational structure.

Upon receipt of Operator's proposed Development Plan, each Working Interest Owner shall have thirty (30) days in which to propose any revisions or alternatives thereto.

The Development Plan, together with proposed revisions or alternatives thereto, shall be put to a vote on or before June 15 of each year and shall require Approval of the Parties in the Participating Area or Approved Development Area. Upon such approval, the Development Plan shall be the basis for Operator's preparation of Budgets, related work plans, and AFEs. The Development Plan shall always be consistent with prior approved AFEs that have not expired pursuant to Section 17.7.F. It is understood and agreed that when a Participating Party initially commits itself to a Development Plan, including construction and installation of Facilities, it shall thereupon become and remain fully liable for its full share of the Expenditures of the construction and installation of such Facilities in accordance with its Participating Interest, and for the salvage and removal thereof when and as required by the lease or applicable regulation, order, or rule, whether or not such Party subsequently withdraws from further development of the Subject Lands or of any portion thereof after commitment for development.

17.5 Budgets For each Participating Area or Approved Development Area, the Budget prepared by the Operator shall be consistent with the approved Development Plan and any AFEs that have received Approval of the Parties, and shall consist of a Capital Budget, an Expense Budget and a Volume Forecast.

A. Budget Format. Operator will provide the Budgets in a standard format and in sufficient detail to allow the Working Interest Owners adequate review and will state each Working Interest Owner's obligation prior to approval.

B. Period Covered by the Budget. Estimated commitments and Expenditures shall be provided for the Budget Year. A Budget Year shall begin January 1 and end December 31 of the year following Budget submission and approval.

C. Timing of Budget Submission and Approval. The Operator shall provide the Working Interest Owners with the proposed Budget on or before October 1. Upon receipt of Operator's proposed Budget, each Working Interest Owner shall have thirty (30) days in which to propose any revisions or alternatives thereto. The Working Interest Owners shall vote on the approval of the Budget by November 10 of that same calendar year. The proposed Budget, together with any proposed revisions or alternatives thereto, shall require Approval of the Parties in the Participating Area.

D. Capital Budget. The "Capital Budget" is a series of line items that include all capital Expenditures expected in the upcoming Budget Year. Each Capital Budget line item will specify the commitment to be made in the Budget Year and Expenditures for subsequent years. Capital Budgets shall be approved on a line item basis, except for Development Wells, which will be approved as a single category. Approval of said items constitutes approval of scope and timing only, and thus no commitments of funds exceeding the Operator's Expenditure Authority are authorized until an AFE is approved. Once an AFE or supplemental AFE is approved pursuant to Section 17.7, the line item corresponding to the AFE will not require approval on any subsequent Capital Budget for so long as the AFE or Supplemental AFE is valid. Budgets will reflect prior approved valid AFEs for informational purposes.

Expenditures within the Operator's Expenditure Authority that are generally projected on a historical basis and not specifically identified at the time of Budget preparation will be grouped into a single category titled Minor Capital Investments and divided into separate sub-categories as appropriate. The minor capital investment category may not exceed ten percent (10%) of the total Capital Budget.

E. Expense Budget. The "Expense Budget" will be divided into three categories: (1) operations and maintenance (except major repairs), (2) major repairs and (3) Annual Support Fee (as defined in Exhibit I hereof). The three categories will be sub-categorized as appropriate. The operating and maintenance category shall include as part of the total Expenditures for each respective category an estimate of the off-site Technical Employee and technical organization indirect Expenditures to be charged in accordance with Exhibit I of this Agreement. Beginning with the initial Development Plan, Operator will provide an estimate of indirect Expenditures included in the operating and maintenance category of the Expense

Budget and Capital Budget for Approval of the Parties in the Participating Area or Approved Development Area as part of the budget submission. Such estimate shall include a detailed listing of off-site Technical Employee and technical organization but shall not be for approval purposes. The purpose of said approval is to establish a limit for such Expenditures. Operator may not bill any amount that exceeds such limit unless Approval of the Parties in the Participating Area or Approved Development Area is obtained. Operator shall also provide organization charts for technical organizations covered by the detail listing. It is understood that any organization charts provided as part of the budget submission or detail listing are for information purposes only and are not subject to approval. With the exception of Expenditures covered by the detail listing of Technical Employee and technical organization indirect Expenditures, the Expense Budget is to be approved on a total basis. Approval of the Expense Budget constitutes the authority to expend or commit funds up to the approved total Expense Budget amount, except that no commitment of funds is authorized for items requiring an Expense AFE until such an AFE has been approved. The estimated Expenditures associated with those items requiring Expense AFE approval will be separately identified on the Expense Budget.

F. Volume Forecast. In conjunction with the submission of the Budget, the Operator shall provide the Working Interest Owners with an annual volume forecast for the Budget Year. This forecast will include the estimated production of oil, gas, natural gas liquids, and water.

17.6 Operator's Expenditure Authority The Operator is authorized by the Working Interest Owners to commit to or expend any single item of Expenditure that is included in the approved Budget for a Development Plan up to the Operator's Expenditure Authority of FIVE HUNDRED THOUSAND DOLLARS ($500,000). The Operator is not authorized to make any Expenditures except in emergencies, for Drilling, Completing, Deepening, Plugging Back, or Sidetracking any wells without the Approval of the Parties in the Participating Area.

If Operator, subsequent to committing or expending funds under this authorization, determines that Expenditures will exceed the Operator's Expenditure Authority, the Operator will immediately notify the Working Interest Owners by submitting an AFE in the full amount for Approval of the Parties.

In an emergency, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other Parties and shall endeavor to keep them fully informed of the actions taken and Expenditures incurred.

17.7 Authority for Expenditure (AFE) Upon Approval of the Parties of a Capital Budget and an Expense Budget, the Operator shall prepare and submit corresponding Capital AFEs and Expense AFEs for the Approval of the Parties in the Participating Area or Approved Development Area. All AFE approval procedures are set forth in the remaining provisions of this section.

A. Capital AFE. A Capital AFE will be issued for any capital expenditure over TWO HUNDRED FIFTY THOUSAND DOLLARS ($250,000), but will only require Approval of the Parties in the Participating Area or Approved Development Area when the initially estimated Capital AFE amount exceeds the Operator's Expenditure Authority. Notwithstanding the foregoing, a Capital AFE shall be issued, and shall require Approval of the Parties in the Participating Area or Approved Development Area, for any expenditure to Drill, Complete, Deepen, Plug Back, or Sidetrack any well regardless of the estimated Expenditures.

B. Expense AFEs. An Expense AFE for single items or repair or replacement in excess of TWO HUNDRED FIFTY THOUSAND DOLLARS ($250,000) will be prepared by the Operator and will be provided to the Working Interest Owners. Approval of the Parties in the Participating Area or Approved Development Area will be required for all Expense AFEs of a repair or replacement (not maintenance) nature that exceed TWO HUNDRED FIFTY THOUSAND DOLLARS ($250,000) except if such expense item was included in the approved Budget then the Operator's Expenditure Authority shall apply in lieu of the TWO HUNDRED FIFTY THOUSAND DOLLARS ($250,000).

C. AFE Over-Run Limit. An approved AFE authorizes the Operator to expend the total approved amount plus any approved contingency. If no contingency is specified in the AFE, then the Operator is authorized to incur Expenditures exceeding the total approved amount by fifteen percent (15%), or ONE MILLION DOLLARS ($1,000,000), whichever is less.

D. Supplemental AFE. When, with respect to any approved AFE, the Operator reasonably expects Expenditures to exceed the total approved amount thereof plus the authorized excess Expenditure specified in Subsection 17.7.C, or when the Operator plans a change in the scope of the work authorized therein, a supplemental AFE will be submitted to the Working Interest Owners for Approval of the Parties in the Participating Area or Approved Development Area. Operator shall make its best effort to submit the Supplemental AFE thirty (30) days prior to the date that actual Expenditures are expected to exceed the total approved amount plus the authorized excess Expenditures.

E. AFE Content. All AFE requests or revisions will identify the total amount requested, estimates of quarterly Expenditures for the Budget Year, and projected annual Expenditures for each year thereafter. The AFE Expenditure estimate will be shown by Working Interest Owner total and will be categorized into the following items, if applicable, which include but are not limited to:

(1) Engineering design;
(2) Facilities and materials;
(3) Fabrication;
(4) Transportation;
(5) Installation; and
(6) Contingency.

The contingency item shall be identified as to the items or reasons most likely to cause it.

Each AFE will contain sufficient information to enable the Working Interest Owners to evaluate the benefits and justifications for Expenditure, such as, but not limited to:

(1) Scope;
(2) Design criteria;
(3) Cost analysis; and
(4) Commitment pattern.

F. Expiration of Approved AFEs. Unless otherwise specified in the AFE, once approved, the work authorized by an AFE shall be commenced within 365 days of the Approval of the Parties or the authorization thereunder shall expire.

17.8 Drilling of Development Wells

A. Approval Required. No Development Well, other than a Required Well, as set forth in ARTICLE 15, shall be Drilled without the Approval of the Parties in the Participating Area or Approved Development Area.

B. Notice of Proposed Development Well. Consistent with an approved Development Plan and Budget, any Working Interest Owner in a Participating Area or Approved Development Area may propose the Drilling and Completion of a Development Well by notifying the Operator who will then, within seven (7) days thereafter, request the Approval of the Parties in the Participating Area or Approved Development Area. The initial proposal and the request for the Approval of the Parties by the Operator shall specify (i) the projected surface and bottomhole locations; (ii) the Objective Depth(s) and the Reservoir(s) to which the well is to be Drilled, indicating which is the Primary Reservoir; (iii) the estimated Expenditures; (iv) estimated date of commencement and (v) the Participating Interest of the Parties within the Participating Area or Approved Development Area. The location of the proposed Development Well shall conform to any applicable spacing pattern, or exception thereto, approved by the appropriate regulatory Proper Authority. If such Approval of the Parties is not obtained by the Operator within thirty (30) days [48 hours (exclusive of Saturday, Sunday, and federal holidays) if a rig is on location] of the date Operator requested such Approval of the Parties, such proposal shall terminate. If the Approval of the Parties in the Participating Area or Approved Development Area who have the right to participate in the Drilling is obtained, Operator will, within seven (7) days thereafter, give notice to all such Working Interest Owners that the proposal to Drill and Complete a Development Well has been approved.

C. Basis of Participation. If Approval of the Parties is obtained, the Participating Interest of each Working Interest Owner who received a proposal to Drill and Complete a Development Well shall be calculated on the basis provided for in ARTICLE 20 and ARTICLE 22, as appropriate, and shall participate therein for said Participating Interest.

17.9 Reworking, Plugging Back, Deepening and Sidetracking of Development Well Subject to Section 17.12, and consistent with an approved Development Plan and Budget,

any Party owning an interest in a Participating Area or Approved Development Area may propose and participate in the following Operations, subject to the terms set forth herein.

A. Rework Operations. Any Working Interest Owner in the Participating Area or Approved Development Area may propose a Rework Operation within a Participating Area or Approved Development Area by notifying the Operator who will then, within seven (7) days thereafter, give notice to the remaining Working Interest Owners therein. The initial proposal and the notice given by the Operator shall (i) specify the work to be performed; (ii) the location of the well in which the Operation is proposed; (iii) the Reservoir(s) open to the wellbore; (iv) the estimated Expenditures of the Operation; and (v) the Participating Interest of the Parties in the Operation. If the estimated Expenditures of the Operation exceed the Operator's Expenditure Authority, Approval of the Parties in the Participating Area or Approved Development Area shall be required and each Working Interest Owner of the Participating Area shall participate therein on the same basis as provided for in ARTICLE 20 and ARTICLE 22. If the estimated Expenditures of the Operation are less than the Operator's Expenditure authority, the Operator may proceed at its discretion.

B. Plugging Back Operations. Any Working Interest Owner in the Participating Area or Approved Development Area may deliver a proposal to Plug Back a Development Well within a Participating Area or Approved Development Area to the Operator who will then, within seven (7) days thereafter, give notice to the remaining Working Interest Owners therein. The initial proposal and the notice given by the Operator shall specify (i) the work to be performed; (ii) the location of the well in which the Operation is proposed; (iii) the projected depth(s); (iv) the objective Reservoir(s) or formation; (v) the estimated Expenditures of the Operation; and (vi) the Participating Interest of the Parties in the Operation. If Approval of the Parties in the Participating Area or Approved Development Area is obtained, each Working Interest Owner who receives a proposal to Plug Back a well shall participate therein on the basis provided for in ARTICLE 20 and ARTICLE 22.

C. Deepening and Sidetracking Operations.

(1) Any Working Interest Owner in the Participating Area or Approved Development Area may propose a Deepening or Sidetracking Operation to a horizon within a Participating Area or Approved Development Area by delivering same to the Operator who will then, within seven (7) days thereafter, give notice to the remaining Working Interest Owners therein. The initial proposal and the notice given by the Operator shall specify (i) the work to be performed; (ii) the location of the well in which the Operation is proposed; (iii) the projected depth and bottomhole location; (iv) the objective Reservoir(s), indicating which is the Primary Reservoir; (v) the estimated Expenditures of the Operation, including Completion costs; and (vi) the Participating Interest of the Parties. If Approval of the Parties in the Participating Area or Approved Development Area is obtained, each Working Interest Owner who receives a proposal to Deepen or Sidetrack a well to Complete same shall

participate therein on the basis provided for in ARTICLE 20 and ARTICLE 22.

(2) Any Deepening or Sidetracking Operation proposed below the base of the stratigraphic equivalent of the deepest horizon covered by the applicable Participating Area or Approved Development Area shall be conducted in accordance with ARTICLE 11.

17.10 Response to Notice Within thirty (30) days after receipt of Operator's notice of a proposal pursuant to Section 17.9, each Working Interest Owner receiving such notice shall advise the Operator whether or not it wishes to approve the proposed Operation. If a Drilling or workover rig is on location, such notice and response to same may be given by telephone and promptly confirmed in writing and the response period shall be limited to forty-eight (48) hours (exclusive of Saturday, Sunday, and federal holidays). Failure of a notified Working Interest Owner to respond to such notice within the applicable time period above fixed shall constitute a decision not to approve the proposal. If Approval of the Parties is not received, the proposal shall terminate.

If Approval of the Parties in the Participating Area or Approved Development Area is received for the proposed Operation, then Operator shall, within ninety (90) days after Approval of the Parties or the expiration of the thirty (30) day notice period whichever shall first occur, or as promptly as possible after the expiration of the forty-eight (48) hour (exclusive of Saturday, Sunday, and federal holidays) period when a drilling rig or workover rig is on location, as the case may be, actually commence the proposed Operation. Notwithstanding the Force Majeure provisions of ARTICLE 27, if the proposed Operation has not been commenced within the period above fixed, the proposal shall terminate immediately.

17.11 Rights and Obligations of the Participating Parties Whenever an Operation is conducted for the account of the Working Interest Owners entitled to participate therein, the entire cost and risk of conducting such Operation shall be borne by the Participating Parties on the basis provided for in ARTICLE 20 and ARTICLE 22, as appropriate.

17.12 Limitation on Development Operations No Development Well shall be Deepened, Sidetracked or Plugged Back without Approval of the Parties in the Participating Area or Approved Development Area.

17.13 Sole Risk Wells If a Party proposes the Drilling of a Development Well, but said proposal does not receive Approval of the Parties in the Participating Area or Approved Development Area, the proposed Development Well (hereinafter designated as a "Sole Risk Well") may be Drilled by any Party or Parties at their sole cost, risk and expense.

A. Completion of a Sole Risk Well. A Sole Risk Well may be Completed in any Reservoir or Reservoirs within the Participating Area or Approved Development Area under the following guidelines.

(1) Minimum Completion Distance. If the horizontal distance between the vertical projection of the penetration of a Reservoir by the Sole Risk Well and the vertical projection of the penetration of the same Reservoir in an existing Development Well is less than three thousand (3000) feet, and the Reservoir is capable of producing or contributing to the production of Unitized Substances in Paying Quantities in the existing Development Well, then the Sole Risk Well may not be Completed in the Reservoir without the Approval of the Parties in the affected Participating Area.

(2) If Capable of Producing Unitized Substances in Paying Quantities. If a Sole Risk Well is Completed and is capable of producing Unitized Substances in Paying Quantities, the Parties participating in the well shall contribute it to the Working Interest Owners of the Participating Area or Approved Development Area, subject to Approval of the Parties in the Participating Area or Approved Development Area, prior to commencement of commercial production from the well. If a Sole Risk Well is contributed to the Working Interest Owners of a Participating Area or Approved Development Area as described herein, the well and all Unitized Substances produced therefrom shall be owned by said Working Interest Owners, and said Working Interest Owners shall promptly reimburse the Parties participating in the Sole Risk Well by contributing one and one-half (1-1/2) times the amount it would have contributed had such Party originally participated in such well and shall thereafter be responsible for all future operating and maintenance Expenditures associated with the well, including Plugging and Abandonment costs, in proportion to their respective Participating Interests in the Participating Area or Approved Development Area.

(3) If Not Capable of Producing Unitized Substances in Paying Quantities. If a Sole Risk Well is Completed by the Parties participating in the well, but is not capable of producing Unitized Substances in Paying Quantities, said Parties shall Plug and Abandon the well within 365 days of determining it is not capable of producing Unitized Substances in Paying Quantities. The Working Interest Owners of the Participating Area or Approved Development Area may extend this time limit by obtaining Approval of the Parties in the Participating Area or Approved Development Area.

B. Dry Hole. If the Sole Risk Well is a dry hole, or is not Completed for any reason, the Parties participating in the well shall Plug and Abandon it prior to releasing the drilling rig.

17.14 Drillsite Usage Agreement A drillsite usage agreement shall be required before any Operation is commenced from a drillsite within the Subject Lands when the Participating Interests in the Operation differ from the Participating Interests in the Participating Area or

Approved Development Area. The drillsite usage agreement shall require separate Approval of the Parties by both the Working Interest Owners owning Participating Interests in the Subject Lands and by the Working Interest Owners owning Participating Interests in the Operation.

17.15 Facility and Infrastructure Sharing

17.15.1 Production Sharing Facility A facility sharing agreement shall be required before any production, the ownership of which is different than the Participating Interest in the Facilities, can be produced through such Facilities. In the event the then current oil rate being produced through the Facility is below the design capacity of the Facilities, the Approval of the Parties in the Facilities shall be required for the facility sharing agreement. In the event the oil rate is at or above the design capacity of the Facilities, the facility sharing agreement shall require a vote of seventy-five percent (75%) of the Participating Parties in the Facilities. Upon Approval of the Parties in the Facility, the owners of such production will compensate the Participating Parties in the Facilities based on a reasonable rate of return on investment and payable on a per barrel basis. This facility sharing agreement shall govern the processing fee and priority of production applicable for such production.

17.15.2 Other Facilities or Infrastructures A sharing agreement shall also be required before any other Facility or portion of the infrastructure may be utilized by Parties where ownership interest in such Facility or infrastructure differs from the interest of the parties proposing to use such facility or infrastructure. Upon Approval of the Parties in such Facility or infrastructure, the parties using said Facility or infrastructure will compensate the Participating Parties in such Facility or infrastructure upon commercially reasonable terms.

ARTICLE 18: PARTICIPATING AREAS

18.1 Proposal At any time any Working Interest Owner in the Subject Lands who owns a Working Interest in a proposed or existing Participating Area, as applicable, may initiate a proposal for the establishment or revision of that Participating Area by submitting such proposal and the outline thereof in writing to the Operator. Operator shall then, within seven (7) days thereafter, submit such proposal in writing, including the date of proposed filing with the Proper Authority, to each Working Interest Owner in the Subject Lands. Such notice shall be given by Operator at least thirty (30) days prior to the date Operator contemplates filing the proposal with the Proper Authority. If the proposal receives the Approval of the Parties as specified in Section 18.2 below, Operator shall file the proposal with the Proper Authority on the date specified in the proposal.

18.2 Approval of the Parties Required to Establish or Revise a Participating Area A proposal to establish a Participating Area shall require the Approval of the Parties owning a Working Interest in the proposed Participating Area. Any proposal to contract a Participating Area shall require Approval of the Parties owning the Participating Interest in the Participating

Area immediately prior to such contraction, together with the Approval of the Parties owning a Participating Interest in any Tracts, or portions thereof, to be contracted from such Participating Area. In no event, however, may a Participating Area be contracted, except as required by law, after Final Determination. Any proposal to enlarge a Participating Area shall require Approval of the Parties owning a Participating Interest therein immediately prior to said enlargement, together with the Approval of the Parties owning the Participating Interest in any Tracts, or portions thereof, to be added to such Participating Area. Any proposal to consolidate one or more Participating Areas shall require Approval of the Parties owning the Participating Interest in each such Participating Area.

18.3 Objections to Proposal At least fifteen (15) days before the proposed filing date, any Working Interest Owner may submit to all other Working Interest Owners written objections to such proposal. If, despite such objections, the proposal receives the Approval of the Parties, as specified in Section 18.2, then the Operator shall file the proposal with the Proper Authority and the Working Interest Owner making the objections may renew the same with the Proper Authority.

18.4 Revised Proposal If no proposal receives the Approval of the Parties, as specified in Section 18.2 within thirty (30) days from the submission of the first proposal, then Operator shall file with the Proper Authority a proposal reflecting as nearly as practicable the various views expressed by the Working Interest Owners' proposals receiving at least 20% approval of the Working Interest Owners entitled to vote thereon. However, prior to submission of such revised proposal to the Proper Authority, Operator shall furnish a copy of such proposal to all Parties.

18.5 Expansion Subsequent to Final Determination Except as required by the Proper Authority, a proposal to expand a Participating Area subsequent to the Final Determination shall require the Approval of the Parties owning a Participating Interest therein immediately prior to said expansion, together with the Approval of the Parties owning a Working Interest in any Tracts, or portions thereof, to be added to such Participating Area.

18.6 Consolidation Two or more Participating Areas may be combined upon the Approval of the Parties in the affected Participating Areas.

18.7 Notice of Approval or Disapproval If and when a proposal has been approved or disapproved by the Proper Authority, Operator shall give prompt notice thereof to each Working Interest Owner in the Subject Lands. Upon approval of a Participating Area or revision of a Participating Area, the additional or revised Exhibit C, D, E, and F which are approved by the Proper Authority and are incorporated into the Unit Agreement shall be provided to all Parties to this Agreement by the Operator.

18.8 Date Established For the purposes of this Agreement, the effective date of a Participating Area and revisions to a Participating Area shall be the date Approval of the Parties was obtained pursuant to this ARTICLE 18. Absent Approval of the Parties for a Participating Area, the effective date of the Participating Area shall be the date of the Proper Authority approval of the Participating Area.

ARTICLE 19: ADJUSTMENT ON ESTABLISHMENT OR CHANGE OF PARTICIPATING AREA

19.1 When Adjustment Made Whenever, in accordance with a Unit Agreement, a Participating Area is established or revised, and whenever two or more Participating Areas are combined (the Participating Area resulting from such establishment, revision, or combination being hereinafter referred to as a "Resulting Area"), an adjustment shall be made in accordance with the succeeding provisions of this ARTICLE 19, as of the date on which the establishment, revision or combination that creates such Resulting Area becomes effective, such date being hereinafter referred to as the "effective date" of such Resulting Area. For the purposes of this ARTICLE 19, all Expenditures of a Usable Well, as defined below, shall be deemed to have been incurred as the funds are expended.

19.2 Method of Adjustment on Establishment or Enlargement. As promptly as reasonably possible after the effective date of a Resulting Area created by the establishment or enlargement of a Participating Area, and as of such effective date, an adjustment shall be made in accordance with the following provisions, except to the extent otherwise specified in Section 19.4:

A. The Intangible Value of each Usable Well within such Resulting Area on the effective date thereof shall be credited to the Party or Parties owning such well immediately prior to such effective date, in proportion to their respective interests in such well immediately prior to such effective date. The total amount so credited as the Intangible Value of Usable Wells shall be charged to all Parties within the Resulting Area on a basis to be determined pursuant to ARTICLE 22.

B. The Value of each item of Tangible Property serving the Resulting Area on the effective date thereof shall be credited to the Party or Parties owning such item immediately prior to such effective date, in proportion to their respective interests in such item immediately prior to such effective date. The total amount so credited as the Value of the Tangible Property shall be charged to all Parties within the Resulting Area on a basis to be determined pursuant to ARTICLE 22.

C. If a Resulting Area, on the effective date thereof, is served by any Tangible Property or Usable Well which also serves another Participating Area(s) or Approved Development Area(s), the Value of such Tangible Property and Usable Well (including the Intangible Value thereof) shall be determined in accordance with Subsection 1.33, and such Value shall be fairly apportioned between such Resulting Area and such other Participating Area(s) or Approved Development Area(s), provided that such apportionment receives the Approval of the Parties in each Participating Area or Approved Development Area concerned. That portion of the Value of such Tangible Property and Usable Well (including the Intangible Value thereof) which is so apportioned to the Resulting Area shall be included in the adjustment made as of the effective date of such Resulting Area in the same manner as is the Value of Tangible Property serving only the Resulting Area.

D. The credits and charges above provided for shall be made by Operator. On each such adjustment, each Party who is charged an amount in excess of the amount credited it shall be "under-invested" and shall be referred to hereinafter as an "Under-Invested Party." Each Party who is credited an amount in excess of the amount it is charged shall be "over-invested" and shall be hereinafter referred to as an "Over-Invested Party." If a Party is under-invested with respect to Tangible Property and/or with respect to Intangible Value, any such under-investment shall be eliminated by making a lump sum payment within one hundred and twenty (120) days from Final Determination of any adjustment to the Over-Invested Parties. For purposes of securing payment of adjusted amounts, each Party shall be subrogated to the lien of the Operator in accordance with the provisions of Sections 5.11 and 5.12 hereof.

19.3 Method of Adjustment on Contraction As promptly as reasonably possible after the effective date of a contraction of a Participating Area or establishment of a Participating Area which does not include lands previously included in an Approved Development Area (herein referred to as a "contraction"), an adjustment shall be made with each Party owning a Working Interest in land excluded from the Participating Area by such contraction (such Working Interest being hereinafter in this Section referred to as "Excluded Interest") in accordance with the following provisions:

A. An adjustment for intangibles shall be made in accordance with Subsection 19.3.B, and a separate adjustment for Tangible Property shall be made in accordance with Subsection 19.3.C.

B. Each Working Interest Owner owning an Excluded Interest shall be credited with the sum of (i) the total amount theretofore charged against such Party with respect to its Excluded Interest, pursuant to the provisions of Exhibit I, as intangible Expenditures incurred in the development and Operation of the Participating Area prior to the effective date of such contraction, plus (ii) the total amount charged against such Party with respect to such Excluded Interest as Intangible Value of Usable Wells in any previous adjustment or adjustments made upon the establishment or revision of such Participating Area. Such Party shall be charged with the sum of (i) the market value of that portion of the production of Unitized Substances from such Participating Area which, prior to the effective date of such contraction, was delivered to such Party with respect to such Excluded Interest, less the amount of Lease Burdens and taxes (other than those based on or measured by production of Unitized Substances) paid or payable on said portion, plus (ii) the total amount credited to such Party with respect to such Excluded Interest as Intangible Value of Usable Wells in any previous adjustment or adjustments made upon the establishment or revision of such Participating Area. Any difference between the amount of said credit and the amount of said charge shall be adjusted as hereinafter provided.

C. Each Working Interest Owner owning an Excluded Interest shall be credited with the sum of (i) the total amount theretofore charged against such Party with respect to its Excluded Interest, pursuant to the provisions of Exhibit G, as Expenditures other than Intangible Value incurred in the development and Operation of the Participating Area prior to the effective date of such contraction, plus (ii) the total amount charged against such Party with respect to its Excluded Interest as Value of Tangible Property in any previous adjustment or adjustments made upon the establishment or revision of such Participating Area, plus (iii) the

excess, if any of the credit provided for in Subsection 19.3.B over the charge provided for in said Subsection 19.3.B. Such Party shall be charged with the sum of (i) the excess, if any, of the charge provided for in said Subsection 19.3.B over the credit therein provided for, plus (ii) the total amount credited to such Party with respect to its Excluded Interest as Value of Tangible Property in any previous adjustment or adjustments made upon the establishment or revision of such Participating Area.

D. If, however, as a result of contraction of a Participating Area, a Party no longer has any Working Interest in the Subject Lands, and the credit provided for in Subsection 19.3.C is in excess of the charge therein provided for, such excess shall be contributed to the Subject Lands on a basis to be determined pursuant to ARTICLE 22, by the Parties who remain in the Participating Area after such contraction and the Operator shall make a distribution equal to such net credit to such Party.

19.4 Ownership of Wells and Tangible Property From and after the effective date of a Resulting Area, all Usable Wells within such Resulting Area and all Tangible Property serving such Resulting Area shall be owned by the Parties within such area on a basis to be determined pursuant to ARTICLE 22, except that in the case of Tangible Property serving a Participating Area or Participating Areas in addition to the Resulting Area, only that undivided interest therein which is proportionate to that portion of the Value thereof which is included in the adjustment provided for shall be owned by the Parties within the Resulting Area on a basis to be determined pursuant to ARTICLE 22.

ARTICLE 20: DETERMINATION OF TRACT PARTICIPATION

20.1 Participation of Working Interest Owners For each Participating Area, each Working Interest Owner shall participate and share in Operations, in Expenditures, in the ownership of Facilities, in the ownership of Unitized Substances, and in all the rights granted and obligations imposed by this Agreement, including voting, on the basis of and in proportion to its Participating Interest calculated in accordance with this ARTICLE 20 and ARTICLE 22.

20.2 Participating Area Allocations As to any Participating Area, Unitized Substances shall be allocated in accordance with this Section 20.2.

20.2.1 Initial Participations Prior to Interim Determination, all Tract Participations shall be on an Acreage Basis. These Tract Participations will be the basis for determining Participating Interests, which will be the basis for voting, Expenditures sharing and allocation of Unitized Substances until Interim Determination.

20.2.2 Equity Procedures

A. Equity Procedures. The purpose of establishing Equity Procedures will be to determine Tract Participations for Interim and Final Determinations. The

Equity Procedures will be consistent with the purposes, principles, bases, methodologies and considerations outlined in Subsections 20.2.3 and 20.2.4.

B. Determination Committee. The Determination Committee shall include one designee and one alternate from each Working Interest Owner. The chairperson of the Determination Committee will be the Operator's designee. The Determination Committee is authorized to form whatever subcommittees it deems appropriate.

C. Data Requirements. As part of determining the Equity Procedures, the Determination Committee will define the data requirements for Interim and Final Determination. These data requirements will describe the future contents of the Common Data Base, and will include all data from every well Drilled and geological and geophysical Data on the Subject Lands.

D. Deadlines. The Determination Committee will be formed within thirty (30) days after Approval of the Parties is obtained for a Proposal to Develop. The Equity Procedures will be completed and approved within ninety (90) days of forming the Determination Committee.

E. Approval of Equity Procedures. Approval of the Equity Procedures shall require Approval of the Parties in the Participating Area, if established. After approval, the Equity Procedures shall become an exhibit to this Agreement.

F. Arbitration. If Approval of the Parties is not received for the Equity Procedures within the time limit specified in Subsection 20.2.2.D, all competing proposals will be submitted to arbitration for resolution pursuant to Exhibit L.

20.2.3 Interim Determination

A. Statement of Purpose. The purpose of Interim Determination is to set Tract Participations for each Participating Area that will be valid until Final Determination. These Tract Participations will be the basis for determining Participating Interests, which shall be the basis for voting, Expenditures sharing and allocation of Unitized Substances within that Participating Area until Final Determination. The Working Interest Owners intend for this process to be as simple as possible while still yielding Tract Participations that are reasonably close to those expected to result from Final Determination.

B. Determination Committee. The Determination Committee described in Subsection 20.2.2.B will be charged with the Interim Determination of Tract Participations.

C. Basis for Interim Determination. The Tract Participations determined by Interim Determination will be based on developable original oil in place (OOIP) as determined herein. No quality factors or other value adjustments shall be

applied to the calculated developable OOIP for the purpose of Interim Determination Tract Participations.

D. Scope of Development. To determine developable acreage, the Determination Committee must first agree on the scope of development, including the projected number and type of Facilities and projected number of Development Wells. The projected number of Development Wells will be based on the expected drilling reach from each drilling pad using the technology then available, expected well spacing, and a specific minimum cut off based on Reservoir(s) characteristics, such as minimum hydrocarbon-pore-feet. This scope of development shall be fixed only for the purposes of Interim Determination and shall be based on the latest approved Proposal to Develop, as defined in Section 16.4, or Development Plan, as defined in Section 17.4, whichever is applicable. This scope of development shall not be any modification of the Proposal to Develop or Development Plan, that would compromise the Primary Objective for Development of the Subject Lands as specified in Section 16.4. This shall not preclude the Working Interest Owners from modifying, revising or updating the Development Plan pursuant to Section 17.4.

E. Original Oil in Place Calculation. To calculate the OOIP for an area determined to be developable pursuant to Subsection 20.2.3.D, the Determination Committee shall:

(1) Define the Reservoir(s) to be included in the Interim Determination.

(2) Create and provide to all of the Participating Parties in the Participating Area a Common Data Base that includes all of the data specified in the data requirements to be relied upon for Interim Determination. Notwithstanding the provisions of ARTICLE 25 to the contrary, all data used by any Party in Interim Determination shall be included in the Common Data Base, and all data, without limitation, from every well Drilled and geological and geophysical data on the pertinent Participating Area prior to the deadline specified in Subsection 20.2.3.F shall be considered by the Determination Committee.

(3) Develop structure maps and isopach maps for the Reservoir(s) included in the Interim Determination. These maps shall show the oil/water contact(s) and the gas/oil contact(s) for each Reservoir.

(4) Establish net pay cutoffs based on well log and/or core data, determine porosity and water saturation for the intervals identified as net pay, determine appropriate formation volume factors and calculate the OOIP by Tract for the developable area.

F. Deadlines. The last date upon which data may be collected and subsequently used for Interim Determination will be ninety (90) days after the Equity Procedures receive Approval of the Parties in Subsection 20.2.2.E. Interim Determination will be completed and approved within one hundred and eighty (180) days of such last data collection date.

G. Approval of Interim Determination. Approval of the Interim Determination of Tract Participations shall require Approval of the Parties based on the Participating Area. These Tract Participations will be the basis for determining Participating Interests, which will be the basis for voting, Expenditures sharing, and allocation of Unitized Substances until Final Determination.

H. Arbitration. If Approval of the Parties is not received for the Interim Determination Tract Participations within the time limit specified in Subsection 20.2.3.F all competing proposals will be submitted to arbitration for resolution pursuant to Exhibit L.

I. Participating Area Expansions Before Final Determination. If the Participating Area is expanded after Interim Determination, but before Final Determination, said expansion shall occur without redetermination of Tract Participations. Alternatively, the Working Interest Owners of that expanded Participating Area may elect to redetermine the Tract Participations and Participating Interests consistent with the provisions of Subsections 20.2.2, 20.2.3, and Section 20.4 by obtaining Approval of the Parties in the Participating Area. If the allocation of Expenditures and Unitized Substances changes, equalization of Expenditures and Unitized Substances will be pursuant to ARTICLE 21.

20.2.4 Final Determination

A. Statement of Purpose. The purpose of Final Determination is to permanently set Tract Participations for each Participating Area. These Tract Participations will be the final basis for determining Participating Interests, which shall be the basis for voting, Expenditures sharing and allocation of Unitized Substances among the Working Interest Owners within that Participating Area. The Working Interest Owners intend for this process to be as simple as possible while still yielding Tract Participations that are fair and equitable.

B. Determination Committee. The Determination Committee described in Subsection 20.2.2.B will be charged with the Final Determination of Tract Participations.

C. Basis for Final Determination. The Tract Participations determined by Final Determination shall be based on value. This determination of value by Tract will consider the amount of hydrocarbons underlying each Tract, the

Participating Area if other Facilities have been approved for that Participating Area, but not yet installed, by obtaining Approval of the Parties in the current Participating Area. The postponed last date that data may be collected and subsequently used for Final Determination shall be no later than three (3) years after commencement of sustained production of Unitized Substances in Paying Quantities from the additional Facilities. The postponed Final Determination will be completed within three hundred and sixty-five (365) days of such last data collection date.

L. Approval of Final Determination. Approval of Final Determination Tract Participations shall require Approval of the Parties in the current Participating Area. Except in the case of Participating Area Expansion as provided for in Subsection 20.2.4.N below, these Tract Participations will be the basis for determining Participating Interests, which will be the final basis for voting, Expenditure sharing, and allocation of Unitized Substances among the Working Interest Owners within that Participating Area.

M. Arbitration. If Approval of the Parties in the Participating Area is not received for the Final Determination Tract Participations within the time limit specified in Subsection 20.2.4.J and the postponement option described in Subsection 20.2.4.K has not received Approval of the Parties, all competing proposals will be submitted to arbitration for resolution pursuant to Exhibit L.

N. Participating Area Expansions After Final Determination. If the Participating Area is expanded after Final Determination, said expansion shall occur without redetermination of Tract Participations. Alternatively, the Working Interest Owners of that expanded Participating Area may elect to redetermine the Tract Participations and the Participating Interests consistent with the provisions of Sections 20.2.2, 20.2.3 and Section 20.4 by obtaining Approval of the Parties in the Participating Area. If the allocation of Expenditures and Unitized Substances changes, equalization of Expenditures and Unitized Substances will be pursuant to ARTICLE 21.

20.3 Tract Participation Prescribed by Proper Authority Notwithstanding the provisions of a Unit Agreement, as among the Working Interest Owners of a Participating Area, this Agreement's reference to Tract Participations for such a Participating Area if prescribed by a Proper Authority shall be those agreed to by the Working Interest Owners within such Participating Area.

20.4 Participating Interests Each Working Interest Owner's Participating Interest in a Participating Area shall be calculated by multiplying its Working Interest in each Tract, or portion thereof, included in the Participating Area by the Tract Participation of said Tract, and then summing these products for all such Tracts.

ARTICLE 21: EQUALIZATION: EXPENDITURES AND UNITIZED SUBSTANCES

21.1 Retroactive Adjustment of Expenditures In connection with the Participating Interest determination pursuant to Section 20.2, Section 20.4 and ARTICLE 22, Expenditures for any particular Participating Area expended prior to (1) Interim Determination, or (2) Final Determination shall be retroactively adjusted from the date of the decision to proceed with a Proposal to Develop and equalized on the basis of disproportionate sharing of future Expenditures within such Participating Area. The resulting Expenditures, as adjusted by the Inflation Equivalent provided below, shall hereinafter be referred to as "Adjusted Expenditures."

21.2 Disproportionate Sharing Procedure For retroactive adjustment purposes, Expenditures shall be classified into capital and expense categories, as determined by the Operator consistent with generally accepted accounting principles. Each Working Interest Owner's share of the Adjusted Expenditures is first calculated according to such Working Interest Owner's share of Expenditures that were incurred prior to Interim Determination or Final Determination, whichever is applicable, and is hereinafter referred to as its "Paid-In Share." Each Working Interest Owner's share of the Adjusted Expenditures is also calculated to reflect the Interim Determination or Final Determination, whichever is applicable, and is hereinafter referred to as its "Revised Obligation." A Working Interest Owner whose Paid-In Share exceeds its Revised Obligation is deemed to be over-invested and a Working Interest Owner whose Paid-In Share is less than its Revised Obligation is deemed to be under-invested. Under-invested Working Interest Owners shall be allocated a proportionate share (in accordance with each under-invested Working Interest Owner's share of Expenditures after Final Determination) of all future capital investments and/or operating and maintenance Expenditures, as appropriate, based on the Expenditures which would normally be allocated to the over-invested Working Interest Owners following the effective date of Interim Determination or Final Determination, whichever is applicable, (in addition to such under-invested Working Interest Owner's shares of all other Expenditure allocations under this Agreement) until equalization of Expenditures occurs. In all cases, the Inflation Equivalent shall be applied on a monthly basis to over-invested Expenditures until they are equalized. However, if any Adjusted Expenditures have not been equalized within three (3) years of Interim Determination or Final Determination, whichever is applicable, or upon termination of the Tax Partnership, whichever occurs first, then any remaining balance shall be equalized in cash.

21.3 Retroactive Adjustment of Unitized Substances Unitized Substances produced from the Subject Lands or Participating Area, whichever is applicable, prior to the Interim Determination or Final Determination, whichever is applicable, shall be retroactively adjusted and equalized on the basis of disproportionate sharing of future Unitized Substances to be produced from the Participating Area. Subsequent to the effective date of the Interim Determination or Final Determination, whichever is applicable, the Working Interest Owners in such Participating Area shall be allocated more or allocated less of their proportionate shares of Unitized Substances based on Tract Participations established in the Interim Determination or Final Determination, whichever is applicable, and the quantities of such Unitized Substances which were produced prior to such determination until they are equalized. All adjustments shall

be made on a volumetric basis without regard to gravity, quality, temperature, chemical composition, or other physical characteristics.

21.4 Volumetric Equalization Procedure Each Working Interest Owner in a Participating Area who previously has been allocated a lesser volume of a particular Unitized Substance (i.e., oil, gas or other category of product which is separately saved and accounted for) than would have been allocated to it had the Tract Participations established in the Interim Determination or Final Determination, whichever is applicable, been in effect from the effective date of this Agreement shall be in an under-allocated production position with respect to that Unitized Substance. Each Working Interest Owner in a Participating Area that previously has been allocated a greater volume of a particular Unitized Substance than would have been allocated to it had such Tract Participations been in effect from the date of this Agreement shall be in an over-allocated production position with respect to that Unitized Substance. Immediately upon the effective date of the Interim Determination or Final Determination, whichever is applicable, each over-allocated Working Interest Owner shall relinquish to the under-allocated Working Interest Owners, in proportion to their respective under allocations, such portions of the particular Unitized Substances as are reasonably projected to eliminate its over-allocated position within a three (3) year period with respect to such Unitized Substances. However, an over-allocated Working Interest Owner shall not be required to relinquish more than fifty percent (50%) of its redetermined share of Unitized Substances at any time, unless its Participating Interest is reduced by Interim Determination or Final Determination, whichever is applicable, by more than fifty percent (50%) in which case its relinquishment shall be no more than seventy-five percent (75%) until equalization occurs (even if longer than the above three (3) year period). All Unitized Substances relinquished by over-allocated Working Interest Owners for the purpose of eliminating their over-allocated production positions shall accrue to the under-allocated Working Interest Owners in proportion to the amounts of their under-allocations. If any Working Interest Owner remains in an over-allocated or under-allocated production position upon termination of the Tax Partnership, then such positions shall be equalized in cash, based upon actual price received for the over-allocated production.

ARTICLE 22: APPORTIONMENT OF EXPENDITURES AND OWNERSHIP OF UNITIZED SUBSTANCES AND PROPERTY

22.1 Apportionment of Expenditures, Unitized Substances and Property Within a Participating Area

A. Expenditures. All Expenditures incurred in the development and Operation of a Participating Area for or in connection with Unitized Substances from any Reservoir for which such Participating Area is established shall be allocated to the Working Interest Owners within such Participating Area based upon the Participating Interests in effect at the time, in accordance with the provisions of ARTICLE 20. Such Expenditures, which are allocated to such Tracts, shall be borne by the Working Interest Owners owning the Working Interest in such Tracts, as of the time such Expenditures are incurred. All Expenditures that are incurred by more than one Participating Area will be allocated among those Participating Areas as agreed by Approval of the Parties within such Participating Areas.

B. Unitized Substances. The Unitized Substances produced from a Participating Area shall be allocated to the Working Interest Owners within such Participating Area based upon the Participating Interests in effect at that time, in accordance with the provisions of ARTICLE 20. Unitized Substances that are allocated to the Tracts within a Participating Area shall be owned by the Working Interest Owners owning the Working Interest therein. The amount of Unitized Substances allocated to each Tract, regardless of whether it is more or less than the actual production from the well(s), if any, on that Tract, will be deemed for all purposes to have been produced from that Tract.

C. Property. All materials, Facilities and other property, whether real or personal, the costs of which are chargeable as Expenditures and which have been acquired in connection with the development or Operation of a Participating Area, shall be owned by the Working Interest Owners within such Participating Area on the basis of their Participating Interests in the Participating Area.

22.2 Apportionment of Expenditures, Unitized Substances and Property within an Approved Development Area

A. Expenditures. Prior to the effective date of a Participating Area for Operations conducted within an Approved Development Area for the relevant Reservoir, all Expenditures incurred in such Operations shall be borne on an Acreage Basis within the Approved Development Area.

B. Unitized Substances. Prior to the effective date of a Participating Area for a Reservoir, Unitized Substances produced from an Approved Development Area for that Reservoir shall be allocated on an Acreage Basis within the Approved Development Area.

C. Property. All materials, Facilities and other property, whether real or personal, the costs of which are chargeable as Expenditures and which have been acquired in

connection with Operations, shall be owned on an Acreage Basis within the Approved Development Area.

D. Participating Area Approval. Upon the effective date of a Participating Area for a Reservoir, Expenditures, Unitized Substances and property shall be allocated and owned in accordance with Section 22.1.

22.3 Appointment of Expenditures and Property Outside a Participating Area or Approved Development Area

A. Expenditures. For Operations conducted outside an established Participating Area or Approved Development Area, all Expenditures incurred in such Operations shall be borne on an Acreage Basis by the Participating Parties within the applicable Drilling Block

B. Unitized Substances. The Unitized Substances produced from an area outside a Participating Area or Approved Development Area shall be allocated to the Participating Parties on an Acreage Basis within an applicable Drilling Block.

C. Property. For Operations conducted outside an established Participating Area or Approved Development Area, all materials, Facilities and other property, whether real or personal, the costs of which are chargeable as Expenditures and which have been acquired in connection with Operations shall be owned by the Participating Parties on an Acreage Basis within the applicable Drilling Block.

ARTICLE 23: DISPOSITION OF UNITIZED SUBSTANCES

23.1 Each Party To Own And Take Its Share Each Party shall own its proportionate share of the Unitized Substances from wells operated for the Joint Account. The Operator shall measure and deliver into the possession of each Party, as and when produced at the first point of measurement, the proportionate share of Unitized Substances owned by that Party, exclusive of hydrocarbons that have been unavoidably lost and hydrocarbons that may be used by the Operator for an Operation on the Subject Lands. Each Party shall, at its own expense, have the right, and except as otherwise agreed, the obligation to take in kind and separately dispose of its proportionate share of such Unitized Substances. Each Party shall provide the Operator with information respecting the Party's arrangements for the disposition of its share of Unitized Substances as the Operator may reasonably require to fulfill its obligations hereunder.

ARTICLE 24: TERMINATION AND ABANDONMENT OF UNIT OPERATIONS

This ARTICLE 24 only applies upon any of the Subject Lands becoming part of a unit and thereby subject to a Unit Agreement.

24.1 Termination of Unit The unit shall terminate upon the termination of the Unit Agreement.

24.2 Effect of Termination Upon termination of the Unit Agreement, the following shall occur:

A. Working Interest. Working Interest in and to each separate Tract shall no longer be affected by this Agreement, except for the purposes of this ARTICLE 24, and thereafter the Working Interest Owners shall be governed by the terms and provisions of the leases, operating agreements and other instruments affecting the separate Tracts.

B. Right to Operate. Working Interest Owners of any Tract within a Participating Area that desire to take over and continue to operate wells located thereon or Completed thereunder, may do so by paying Operator, for credit to the Joint Account, the Salvage Value as determined by the affected Working Interest Owners pursuant to the applicable provisions of this Agreement, of the casing and Facilities in and on the wells taken over, and by agreeing to plug each well upon abandonment, to remove Facilities and to restore the Subject Lands insofar as is practicable agreeing that, upon abandonment, each well shall be plugged, Facilities shall be removed and Subject Lands shall be restored in compliance with applicable leases, laws and regulations. A well drilled directionally from one Tract and Completed under another shall first be offered to the Working Interest Owners of the Tract under which the well is Completed. If such Working Interest Owners do not elect to take over the well, then the well shall be offered to the Working Interest Owners of the Tract on which the well is surfaced; provided, however, that the portion of the well bore lying beyond the boundary of the Tract on which the well is surfaced shall be plugged in accordance with applicable leases, laws and regulations. Operator shall cause all wells not taken over to be Plugged and Abandoned in accordance with applicable leases, laws and regulations. In addition, pursuant to the provisions of Article 24.5, Parties taking over shall post a security bond sufficient in amount as determined by the Operator to ensure discharge of the obligations assumed by the Parties taking over.

C. Salvage of Facilities. Operator shall salvage as much of the Facilities not taken over by Working Interest Owners of separate Tracts as is technically and economically feasible; including but not limited to casing and Facilities in or on wells; flowlines and manifolds; separation, treating and storage vessels; pumps; compressors; and Facilities.

D. Cost of Abandonment. The cost of abandoning Operations shall be Expenditures allocated and charged to the Working Interest Owners in proportion to their Participating Interests in such Operations. The cost of abandonment shall include but not be limited to the costs of dismantling, removal and transportation required to dispose of or distribute any item of Facilities.

24.3 Distribution of Assets Each Working Interest Owner shall share in the distribution of each item of Facilities or the proceeds thereof in proportion to its Participating Interest in such Operation.

24.4 Abandonment of Dry Holes Any well which has been Drilled, Deepened, Plugged Back, or Sidetracked under the terms of this Agreement as a dry hole (or as a well capable of producing Unitized Substances in Paying Quantities from an ice pad but deemed incapable or impractical of being Completed as a producible well by the Parties who participated therein), shall not be Plugged and Abandoned without the Approval of the Parties who participated therein. Should any Party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday and federal holidays) after receipt of notice of the proposal to Plug and Abandon such well, such Party shall be deemed to have consented to the proposed abandonment. All such wells shall be Plugged and Abandoned in accordance with applicable regulations and at the costs, risk and expense of the Parties who participated in the costs of Drilling, Deepening, Plugging Back or Sidetracking such well. Any Party who objects to Plugging and Abandoning such well must propose further Operations after receipt of a proposal to Plug and Abandon or be deemed to have consented to the proposed abandonment.

24.5 Abandonment of Wells That Have Produced Any well which has been Completed as a producer of Unitized Substances within a Participating Area shall not be Plugged and Abandoned until such time, if ever, as the abandonment receives the Approval of the Parties within such Participating Area. If such Approval of the Parties is obtained, the well shall be Plugged and Abandoned in accordance with applicable regulations and at the Expenditures, risk and expense of all the Parties within such Participating Area.

24.6 Abandonment of Non-Consent Operations The provisions of Section 24.4 or 24.5 above shall be applicable as between Participating Parties in the event of the proposed abandonment of any well excepted from said Sections provided, however, no well shall be permanently Plugged and Abandoned unless and until all Parties having the right to initiate further Operations therein have been notified of the proposed abandonment.

24.7 Abandonment of Facilities Any Facility abandonment and removal shall require the Approval of the Parties in the Facility and shall be accomplished by Operator with the Expenditures, risks, and net proceeds, if any, to be shared by the Participating Parties owning such Facilities in proportion to their Participating Interests. It is understood and agreed that when a Participating Party initially commits itself to a Development Plan, including construction and installation of Facilities, it shall thereupon become and remain fully liable for its full share of the Expenditures of the construction and installation of such Facilities in accordance with its Participating Interest, and for the salvage and removal thereof when and as required by the lease or applicable law, regulation, order, or rule, whether or not such Party subsequently withdraws from further development of the Subject Lands or of any portion thereof after commitment for development.

24.8 Abandonment Agreement within 180 days Following the Approval of the Parties of a Proposal to Develop, the Parties shall negotiate a mutually acceptable agreement (the "Abandonment Agreement") relating to the abandonment (which term shall include dismantling, removal and transportation of all removed items, together with any necessary site clean up and restoration) of the Facilities and pipelines used in connection with Operations. The terms of the Abandonment Agreement shall provide for:

A. an equitable sharing between the Parties of the Expenditures and other obligations relating to the abandonment of such Facilities and pipelines;

B. the preparation and periodic review by the Operator for submission to the Parties of the estimated costs of such abandonment and of the amount and value of the remaining net recoverable reserves of that portion of the Subject Lands served by such Facilities and pipelines;

C. the obligation of each Party, when the estimated value of the remaining net recoverable reserves of that portion of the Subject Lands served by such Facilities and pipelines equals one hundred percent (100%) of the said estimated abandonment costs, to provide to the other Parties adequate security for its liability to meet such abandonment costs;

D. the determination and periodic review by the Parties (other than the Party proposing the creation of, or maintenance, amendment or replacement of existing, security for said liability to meet such abandonment costs) of the adequacy of each Party's security for abandonment costs. Any such determination shall apply to each Party's security for its liability to meet such abandonment costs; and

E. Notwithstanding the provisions of paragraphs (C) and (D) above, the security so to be provided by each Party may include, at such Parties option, but shall not be limited to:

(1) An irrevocable guarantee from such Party's Affiliate, bank or other financial institution or other acceptable credit worthy entity;

(2) Security in favor of the Parties over the interest of such Party or a third party; or

(3) A levy on such Party's share of the Unitized Substances from the Subject Lands.

F. In the event of the failure of any Party to satisfy the other Parties as to the adequacy of the security which it proposes pursuant to paragraph (d) above, such Party's share of Unitized Substances from the Subject Lands shall be subject to a levy, the proceeds of which shall be deposited and retained by the Operator or an independent third party as trustee for the Parties in an interest-bearing trust account, and to the Party whose Unitized Substances have been subject to such levy.

G. Any Party proposing to assign, in whole or any part, its Participating Interest in the Subject Lands shall require the assignee of its interest to ratify the Abandonment Agreement and to assume liability thereunder corresponding to the interest to be assigned to it.

ARTICLE 25: CONFIDENTIALITY OF INFORMATION

25.1 Nondisclosure of Confidential Information The Working Interest Owners agree that all geophysical, geological, exploration, production, Reservoir, engineering, well test or other data or information obtained under this Agreement shall be held by them and treated as confidential information during the term of this Agreement and for one (1) year period thereafter, and shall not be disclosed to any third party or to any Non-Participating Party, to the extent the election not to participate relates to the Operation giving rise to the subject information, without the unanimous written consent of the Working Interest Owners paying for such data and information under this Agreement. Each Working Interest Owner shall exercise the same degree of care in protecting the confidential nature of such information as it would exercise, and expect its employees to exercise, in protecting its own confidential, proprietary information.

25.2 Exceptions to Obligations of Nondisclosure The obligations of confidentiality and nondisclosure imposed by Section 25.1 shall be subject to the following exceptions:

A. A Working Interest Owner may disclose or transfer data or information obtained under this Agreement to any of its Affiliates, provided that such Affiliates are bound by the provisions of this ARTICLE 25.

B. A Working Interest Owner may disclose or transfer information obtained under this Agreement if such Working Interest Owner deems necessary to do so in order to comply with any applicable court process, valid statute, order or regulation, including the rules and regulations of the U.S. Securities and Exchange Commission or the stock exchange on which the shares of any Party or its ultimate parent company are listed.

C. A Working Interest Owner may disclose information obtained under this Agreement to any person serving as an independent consultant engaged by and acting on behalf of that Working Interest Owner or any other Working Interest Owner to render assistance in the interpretation and utilization of such information, provided that such consultant agrees in writing not to use or disclose such information, or the results of the consultant's services, for any other purpose and agrees to return such data when such services have been rendered. As used in this Article, the term "consultant" refers only to bona fide, independent consultants and contractors, and not to individuals, partnerships, corporations, associations or other entities, or the employees or agents of any of them, engaged in or intending to engage in the business of exploration for or production of oil, gas or other hydrocarbons.

D. A Working Interest Owner shall not be obligated to hold in confidence information obtained under this Agreement, if through no fault of that Working Interest Owner, such information is or thereafter becomes part of the public domain.

E. A Working Interest Owner, after notice to the other Parties of the name of the third party to whom information will be disclosed, may disclose to a third party who does not own a Working Interest in the Subject Lands such portion or portions of said information as may be necessary (i) for any bona fide effort to obtain financing or (ii) for any bona fide effort to make sales, exchange or transfers of other dispositions of all or any of its Working Interest in accordance with this Agreement, provided, that the third party to whom such information is

disclosed agrees in writing to keep the same confidential and to use such information for the sole purpose of evaluating the contemplated sale or transfer.

F. The Working Interest Owners shall disclose such information to the other Working Interest Owners, pursuant to this Agreement, which is necessary to create a Common Data Base in connection with the Equity Determination Procedures set forth in ARTICLE 20 hereof.

ARTICLE 26: WITHDRAWALS, SURRENDERS AND TRANSFERS

26.1 Withdrawal A Working Interest Owner may withdraw from an Approved Development Area, the unit, or from any Participating Area by transferring, except as provided for in Section 4.4, without warranty of title, to the other Working Interest Owners who own Working Interests in such area from which such Working Interest Owner is withdrawing all of its Working Interest in such area, exclusive of royalty interests, together with its corresponding interest in all Facilities and in all wells used in Operations thereon, without compensation for such rights and interests, subject to the following:

A. Existing Obligations. Such transfer and withdrawal shall not be effective unless and until (i) sixty (60) days have elapsed after advance notice to all other Working Interest Owners in the subject area of the intent to withdraw, (ii) all obligations and liabilities incurred by said Working Interest Owner under this Agreement with respect to said Working Interest and Facilities and all limitations and conditions covering or affecting said Working Interest and Facilities under all applicable provisions of this Agreement have been fully satisfied and discharged, and (iii) the withdrawing Working Interest Owner's share of the Expenditures of abandonment including environmental cleanup and restoration of Operations estimated pursuant to the provisions of ARTICLE 24 and this ARTICLE 26 as applicable to said Working Interest Owner and Facilities, less the Salvage Value of such Facilities, as of the time of withdrawal as such Expenditures and value are determined pursuant to Section 24.7 and approved by an affirmative vote of seventy-five percent (75%) of the remaining Working Interest Owners, after excluding the withdrawing Working Interest Owner, and has been fully paid into an interest-bearing account maintained by the Operator for the benefit of each Working Interest Owner in proportion to its acquired interests as provided in Subsection 26.1.C. Unless waived by Approval of the Parties (utilizing percentages based only on the remaining Parties) an environmental update study shall be conducted to assess possible environmental damage, and said study shall be paid fifty percent (50%) by the withdrawing Party and fifty percent (50%) by the remaining Parties.

B. Limitation on Withdrawal. Working Interest Owners in the Subject Lands covered by the withdrawal may refuse to permit the withdrawal of a Working Interest Owner if its Working Interest is burdened by any royalty, overriding royalty, production payment, net proceeds interest, carried interest, or other interest created out of the Working Interest in excess of those listed on Exhibit A as of the effective date of this Agreement, unless the other Working Interest Owners in the subject area agree to accept the Working Interest subject to such burdens.

C. Transfer Instrument and Interest. The instrument of transfer for a withdrawal may be delivered to Operator for the transferees. Unless otherwise agreed to between the remaining Working Interest Owners, the interest transferred upon withdrawal shall be owned by the transferees in proportion to their Participating Interest in the subject area.

D. Effect of Transfer. Such transfer shall not relieve the withdrawing Working Interest Owner of any known or unknown obligation or liability incurred or arising out of a transaction or event occurring prior to the effective date of the transfer. After the transfer has become effective, the withdrawing Working Interest Owner shall be relieved from all further obligations and liability under this Agreement and under the Unit Agreement, if applicable, with respect to said Working Interests and Facilities, and the rights of such Working Interest Owner under this Agreement and under the Unit Agreement, if applicable, shall cease insofar as they existed by virtue of the interest transferred; provided, however, notwithstanding Section 26.4, if the Subject Lands is terminated within five (5) years after a withdrawal pursuant to this Article, then the withdrawing Working Interest Owner shall pay to the other Working Interest Owners, as provided above, its proportionate share of actual abandonment Expenditures, less Salvage Value, that exceed the estimated abandonment Expenditures, less Salvage Value, or be reimbursed for any payment of estimated abandonment Expenditures, less Salvage Value, that exceeds its proportionate share of actual abandonment Expenditures, less Salvage Value.

26.2 Surrender of Tract If a Tract is committed in whole or in part to one or more Participating Areas, the Working Interest Owners of the Tract may surrender the oil and gas lease covering such Tract if, and only if, such surrender receives the Approval of the Parties by separate affirmative votes of the Working Interest Owners of each such Participating Area. If the Working Interest Owners of an oil and gas lease covering a Tract, no part of which is included in a Participating Area, desire to voluntarily surrender such oil and gas lease, such Working Interest Owners shall first tender all of their right, title and interest in such oil and gas lease to the other Working Interest Owners in the Subject Lands, who shall be entitled to receive an assignment thereof in undivided interests in proportion to the holdings on an Acreage Basis in the Subject Lands of all such Working Interest Owners who desire to accept such assignment. Any assignment pursuant to this section shall be made in accordance with Section 4.4 hereof. If such tender is not accepted within thirty (30) days by any of the other Working Interest Owners, such oil and gas lease may be surrendered and released by the owners thereof. No surrender referred to in this Section 26.2, will be effective until the first day of the month following the delivery to the Operator of an original or a certified copy of the instrument of surrender conforming to the requirements of this Section 26.2 and approved by the Proper Authority. No surrender will relieve the surrendering Working Interest Owner of any known or unknown obligations or liabilities incurred or arising out of a transaction or event occurring prior to the effective date of the surrender.

26.3 Transfer of Interest A Working Interest Owner may transfer all or part of its right, title and interest in the Subject Lands, subject to the provisions of this Section 26.3 and Exhibit I.

A. Limitations on Transfer.

Financial Capability. The transferee of any Working Interest must be financially capable of carrying out the obligations and of paying any liabilities that may attach to the transferred interest pursuant to this Agreement and any applicable Unit Agreement. Any transfer will be made expressly subject to any Unit Agreement in effect at the time and this Agreement. For the transfer to become effective, the transferee must execute a written joinder to any Unit Agreement in effect at that time and this Agreement, and must agree, in writing, to perform all the obligations of the transferring Working Interest Owner under this Agreement relating to the interest transferred. In case of transfer by mortgage or other security instrument, however, such assumption of obligations shall not be required; provided, however, that if such mortgage or other security instrument is foreclosed, the successor in interest on foreclosure shall take subject to this Agreement and the Unit Agreement, if applicable.

B. Liabilities and Obligations. No transfer referred to in this Section 26.3, will be effective until the first day of the month following the delivery to the Operator of an original or a certified copy of the instrument of transfer conforming to the requirements of this Section 26.3 and approved by the Proper Authority. No transfer will relieve the transferring Working Interest Owner of any known or unknown obligations or liabilities incurred or arising out of a transaction or event occurring prior to the effective date of the transfer.

26.4 Additional Requirements for Surrender or Transfer No surrender or transfer shall be effective unless and until (a) all obligations and liabilities incurred by said Working Interest Owner under all applicable provisions of this Agreement have been fully satisfied and discharged prior to the transferring Party notifying the other Parties of its proposed transfer excepting only the contingent obligations and liabilities provided in section 26.1; and, (b) except as otherwise provided in Section 24.8 for abandonment of Facilities and pipelines, the surrendering or transferring Working Interest Owner's share of the Expenditures of the estimated, before tax cost of abandoning wells or portions of wells drilled pursuant to Operations in which it participated or was required to bear a share of the costs pursuant to the terms of this Agreement ("Estimated Abandonment Costs") has been fully paid into an interest bearing trust account maintained by Operator, or an independent third party, as trustee for the benefit of each Working Interest Owner in proportion to its Working Interest. The Estimated Abandonment Cost shall include the estimated environmental cleanup and restoration Expenditures pursuant to the provisions of Section 24.8, less the Salvage Value of Facilities, as of the time of surrender or transfer as such Expenditures and value are determined pursuant to Section 24.8 and approved by an affirmative vote of seventy-five percent (75%) of the remaining Working Interest Owner(s) and excluding the interests of the surrendering or transferring Working Interest Owner(s). If after such abandonment and restoration activities are completed, the total actual cost thereof is less than the Estimated Abandonment Cost, the balance of such unutilized funds that is attributable to the former Working Interest Owner's share shall be promptly returned to it, with interest as determined in accordance with the provisions of Exhibit I, Article 1, Section.4.C. Notwithstanding the foregoing, all remaining Working Interest Owners sharing such abandonment liability (the "Remaining Parties") shall, at the transferring Party's request, evaluate the transferee's financial capability, and if satisfied, may waive the required advance of funds by that particular transferring Working Interest Owner at the time of transfer or surrender by an affirmative vote of seventy-five percent (75%) of the Remaining Parties, provided that that new Working Interest Owner receiving a transfer of interest shall agree in writing in a manner

satisfactory to the Remaining Parties, to fully assume the former Working Interest Owner's share of liability for the Estimated Unit Abandonment Cost.

26.5 Right to Provide security for financing Nothing contained in this Article 26 shall prevent a Party from encumbering all or any undivided share of its Participating Interest to a third party for the purpose of security relating to finance, provided that:

A. such Party shall remain liable for all obligations relating to such interest;

B. the encumbrance shall be expressly subordinated to the rights of the other Parties under this Agreement; and

C. such Party shall ensure that any encumbrance shall be expressed to be without prejudice to the provisions of this Agreement.

ARTICLE 27: FORCE MAJEURE

27.1 Definition As used in this Agreement, "Force Majeure" means strike, lockout or other labor dispute; fire; flood; storm; ice floe; lightning; earthquake; volcanic eruption; explosion; war; civil disturbance; blockade; act of God; governmental restraint imposed or caused by federal, state, county or municipal law or by any rule, regulation, ordinance or order of or delay or failure to act by a federal, state, county, municipal or other government agency or Proper Authority; inability to secure required federal, state, county, municipal or other governmental permits, approvals or easements; any judicial acts or restraints; accidents; uncontrollable delays in delivery or transportation of materials to the site of use; inability to obtain necessary materials in the open market; or any other cause, except the inability to pay money, beyond the reasonable control of the Working Interest Owner claiming the Force Majeure, whether similar to matter specified in this Section 27.1 or not.

27.2 Suspension of Obligations If, as a result of Force Majeure, Operator or any Working Interest Owner is unable to carry out, in whole or in part, its obligations under this Agreement, such Party shall give Operator and all other Working Interest Owners prompt and reasonably detailed notice of the Force Majeure. Thereupon, except for obligations to make payments of money, the obligations of the Party giving the notice, so far as they are obligations affected by the Force Majeure, shall be suspended during, but no longer than, the existence of the Force Majeure. The affected Party shall use all reasonable diligence to remove the Force Majeure as quickly as possible; except, however, that the affected Party shall not be required to settle any strikes, lockouts or other labor disputes and the handling of such matters shall be entirely within the judgment and discretion of the affected Party.

ARTICLE 28: TAXES

28.1 Taxes Any and all ad valorem taxes payable upon materials, Facilities or other property acquired and held by Operator hereunder, shall be paid by Operator as and when due and payable. Taxes upon materials, Facilities and other property acquired and held by Operator hereunder shall be charged to and borne by the Parties owning the same in proportion to their ownership. Each Party shall bear and pay, or cause to be paid, all production, severance, gathering or other taxes, imposed on such Party's respective interest in any Unitized Substances obtained hereunder or the proceeds thereof.

Each Non-Operator shall promptly furnish Operator with copies of notices, assessments, levies or tax statements received by it pertaining to the taxes to be paid by Operator. Operator shall make such returns, reports and statements as may be required by law in connection with any taxes above provided to be paid by it and shall furnish copies to Non-Operators. Operator shall notify the Non-Operators of any tax which it does not propose to pay before such tax becomes delinquent.

28.2 Contest of Property Tax Valuation Operator shall timely and diligently protest to a final determination of taxes based on any valuation of Facilities, materials, and other property acquired for Operations it deems unreasonable. Pending such determination, Operator may elect to pay under protest. Upon final determination, Operator shall pay the taxes and any interest, penalty, or costs accrued as a result of such protest. In either event, Operator shall charge each Party its share set forth in Section 28.1.

ARTICLE 29: INSURANCE

29.1 Insurance Required by Law Operator shall procure and maintain Worker's Compensation Insurance and Employer's Liability Insurance in accordance with the laws of the State of Alaska, U.S. Longshoremen's and Harbor Workers' Compensation Act Insurance (as required to protect against liabilities arising under the Jones Act), and such other insurance as may be required under any applicable state or federal law or regulation. Operator shall charge the Joint Account for the costs of the premiums paid by the Operator to procure and maintain such insurance.

29.2 Other Insurance Operator shall procure and maintain insurance policies as provided and in the amounts set forth in Exhibit O and any further insurance, at reasonable rates, as required from time to time by an Approval of the Parties. In the event that such further insurance is, in Operator's reasonable opinion, unavailable or available only at an unreasonable cost, Operator shall promptly notify the Non-Operators in order to allow the Parties to reconsider such further insurance.

A. Cost of Insurance. The cost of insurance shall be for the Joint Account. Subject to the preceding sentence, the cost of insurance with respect to an Exclusive Operation shall be charged to the Participating Parties.

B. Operator shall, with respect to all insurance obtained under this Article:

(1) use reasonable endeavors to procure or cause to be procured such insurance prior to or concurrent with, the commencement of relevant Operations and maintain or cause to be maintained such insurance during the term of the relevant Operations or any longer term required by a Proper Authority;

(2) promptly inform the participating Parties when such insurance is obtained and supply them with certificates of insurance or copies of the relevant policies when the same are issued;

(3) arrange for the participating Parties, according to their respective Participating Interests, to be named as co-insureds on the relevant policies with waivers of subrogation in favor of all the Parties but only with respect to their interests under this Agreement;

(4) use reasonable endeavors to ensure that each policy shall survive the default or bankruptcy of the insured for claims arising out of an event before such default or bankruptcy and that all rights of the insured shall revert to the Parties not in default or bankruptcy; and

(5) duly file all claims and take all necessary and proper steps to collect any proceeds and credit any proceeds to the participating Parties in proportion to their respective Participating Interests.

29.3 Contractor's Insurance Operator shall use its reasonable endeavors to require all contractors performing work with respect to Joint Operations to:

A. obtain and maintain any and all insurance in the types and amounts required by applicable state or federal law or regulation or any Approval of the Parties;

B. name the Parties as additional insureds on the contractor's insurance policies and obtain from their insurers waivers of all rights of recourse against Operator, Non-Operators and their insurers; and

C. provide Operator with certificates reflecting such insurance prior to the commencement of their services.

29.4 Indemnity Each Working Interest Owner agrees to indemnify and hold harmless each other Working Interest Owner from and against the indemnifying Working Interest Owner's proportionate share of the total of each and every third-party claim (whether asserted against one or more of the Working Interest Owners) of every kind, including, but not limited to, claims for personal injury or property damage, or both, resulting from, connected with or arising out of Operations, regardless of such Working Interest Owner's negligence; provided, however, that

notwithstanding anything to the contrary contained in this ARTICLE 29, no Working Interest Owner shall be indemnified as to any liability caused or contributed to by its Gross Negligence or Willful Misconduct.

ARTICLE 30: MEDIA RELEASES

30.1 Public Releases by An Individual Party If any Party shall itself wish to issue or make any public release of confidential information regarding Operations under this Agreement, it shall not do so unless prior thereto it furnishes all the Participating Parties with a copy of such announcement or statement and obtains the Approval of the Parties from the Participating Parties provided that, notwithstanding any failure to obtain such approval, no Party or any Affiliate of such Party shall be prohibited from issuing or making any such public announcement or statement if such a Party deems it is necessary to do so in order to comply with any applicable valid statute, order, or regulation including the rules and regulations of the U.S. Securities and Exchange Commission or the stock exchange on which the shares of any Party or its ultimate parent company are listed. Such release shall give all Participating Parties equal credit for their participation in the Operations unless otherwise requested by any Party with regard to its inclusion. Failure of a Participating Party to respond within forty-eight (48) hours of receipt of a copy of the proposed announcement or statement shall be deemed an approval of same.

ARTICLE 31: KEEPING PROPERTY FREE FROM LIENS

Subject to the provisions of Section 5.11 and Section 26.5, the Parties shall endeavor to keep the Subject Lands and all Facilities, and property acquired or used hereunder free and clear of all liens and encumbrances.

ARTICLE 32: REPRESENTATIVES AND NOTICES

32.1 Representatives Each Party shall appoint a representative and alternate representative authorized to represent such Party as to all matters relating to this Agreement and to be responsible for giving, or securing, with the least possible delay, that Party's decision on each matter submitted for consideration. Each Party shall furnish in writing to all other Parties the name of its representative and alternate representatives who will continue to serve until replaced. Replacements of representatives and alternative representatives may be made, from time to time, by giving notice to all Parties.

32.2 Giving and Receipt Notices hereunder shall be addressed at the address or facsimile number set forth below its name on the signature page of the copy of this Agreement or other instrument agreeing to become a Party to this Agreement that is executed by said Party.

Except as otherwise specified in this Agreement, any notice provided for or permitted to be given by a Party hereto shall be given in writing and delivered in person to the

named representative or sent by First Class Canadian Mail or First Class United States mail, express mail service, recognised international courier, or by facsimile when a successful transmission notice is printed and retained, properly addressed to the Party to whom given, with postage and charges prepaid as applicable. Notices are deemed given when received by the Party identified above except that, unless a rig is on location and standby charges are being incurred, notice received after 5:00 pm local time in the place of receipt shall be deemed received at 8:00 am local time in the place of receipt on the next succeeding business day. Any Party may, at any time and from time to time, change its named representative, or address, or both, for the purpose of this Agreement by notice in writing to the other Parties specifying such change.

Except as otherwise specifically specified in this Agreement, all time periods in excess of seventy-two (72) hours provided herein requiring notice by a Party shall be inclusive of Saturday, Sunday and federal holidays and for all time periods seventy-two (72) hours or less provided herein requiring notice by a Party shall be exclusive of Saturday, Sunday and federal holidays.

ARTICLE 33: RELATIONSHIP OF THE PARTIES

33.1 Several, Not Joint Liability The rights, duties, obligations and liabilities of the Parties hereunder shall be several and not joint or collective, and each Party shall be responsible only for its obligations as set out herein. It is not the intention of the Parties to create nor shall this Agreement be construed as creating, a mining or other partnership or association to render the Parties liable as partners.

33.2 Tax Election The Parties intend that the Operations covered by this Agreement shall not be treated as a partnership for tax purposes under the provisions of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1986 as amended, insofar as that Subchapter may be applicable to each Party's interest covered by this Agreement. Similarly, the Parties agree and intend that the operations covered by this Agreement will not be treated as a partnership under the applicable income tax laws of any state or local government with similar provisions.

33.3 Tax Partnership Notwithstanding the provisions of Section 33.2 above, should any Party refuse or elect not to participate in an Operation conducted pursuant to ARTICLE 11 and ARTICLE 17 of this Agreement, therein resulting in disproportionate spending by the Parties in that Operation, then the Parties shall enter into a partnership, solely for income tax purposes, and the tax partnership agreement terms shall be those attached hereto as Exhibit K.

ARTICLE 34: PROPRIETARY TECHNICAL INFORMATION AND PATENT RIGHTS

34.1 Use of Proprietary Technical Information A Working Interest Owner may wish to disclose and may disclose its own Proprietary Technical Information to another Working Interest Owner for use in the conduct of Operations hereunder. The Working Interest Owners

agree that, except for the rights and obligations contained in separate agreements, if any, previously or hereafter negotiated between the Working Interest Owners, the rights and obligations of the Working Interest Owners with regard to the use and disclosure of Proprietary Technical Information shall be as set forth in this Article.

34.2 Terms of Use and Disclosure With respect to Proprietary Technical Information received under this Agreement by one Working Interest Owner from another, the Working Interest Owners agree as follows:

A. The Working Interest Owner receiving Proprietary Technical Information may use it for or in relation to Operations conducted under this Agreement.

B. The Working Interest Owner receiving Proprietary Technical Information may disclose it to those of its Affiliates that have agreed in writing to be bound by the obligations of confidentiality imposed by this Article.

C. The Working Interest Owner receiving Proprietary Technical Information shall exercise the same degree of care in protecting the confidential nature of such information as it would exercise, and expect its employees to exercise, in protecting its own Proprietary Technical Information.

D. The Working Interest Owner furnishing written Proprietary Technical Information shall designate such information by clearly marking each document and each sheet thereof with the term "Proprietary Technical Information," followed by the name of the furnishing Working Interest Owner.

E. The obligation of confidentiality provided hereunder shall survive termination or expiration of this Agreement.

34.3 Exceptions to Obligations of Confidentiality The obligations of confidentiality imposed by the foregoing provisions of this Article shall not extend to:

A. Any Proprietary Technical Information which, at the time of its disclosure, is in fact known to a receiving Working Interest Owner or any of its Affiliates.

B. Any Proprietary Technical Information that is disclosed to a Working Interest Owner or its Affiliates by a person not a party to this Agreement as a matter of right and without restriction on use or disclosure.

C. Any Proprietary Technical Information which, at or subsequent to the time of disclosure or utilization, is or becomes generally known on a non-confidential basis to those engaged in the regulation or the business of exploration and production of hydrocarbons.

D. The disclosure of any Proprietary Technical Information as required by laws, regulations, or court process. A Working Interest Owner who received Proprietary Technical Information pursuant to this Agreement and is required by laws, regulations or court

process to disclose Proprietary Technical Information to any third party or agency shall first provide immediate written notice to the Working Interest Owner who provided the Proprietary Technical Information and shall take all reasonable steps available to maintain confidential treatment of the Proprietary Technical Information or to wholly prevent such disclosure.

E. Any Proprietary Technical Information that a receiving Working Interest Owner can show was independently developed by its employees, agents, or consultants who did not have access to the Proprietary Technical Information.

34.4 Patents and Inventions The following provisions of this Article apply to the rights and obligations of the Working Interest Owners with respect to patents and inventions involved in, covered by or arising from Operations hereunder:

A. Separate Inventions by the Working Interest Owners Inventions that arise out of any separate research and development agreement with non-affiliate third parties entered into for the benefit of the Joint Account and paid for by two or more of the Working Interest Owners, for the development of Facilities or methods needed in Operations, shall belong jointly to such Working Interest Owners who paid for such development. Each such Working Interest Owner shall own an undivided interest in any such inventions, including any and all patents (both domestic and foreign) based on such inventions and in any such developed technical information equal to its share of the obligation to bear the costs of such research, development, and patenting and maintenance fees. Each such Working Interest Owner shall have the right to license others to make, use or sell such inventions under such patents and/or developed technical information with no accounting to the other Working Interest Owners.

B. Inventions by Joint Account. Inventions and any resulting patents that arise out of work financed by the Joint Account shall belong jointly to the Working Interest Owners who paid for such work. Each Working Interest Owner shall have the right to use such inventions and patents in its Own Operations. Further, each Working Interest Owner shall have the right to license others to make, use or sell such inventions under such patents with no accounting to the other Working Interest Owners.

C. Proprietary Patent Rights. With reference solely to Operations conducted by Operator, each Working Interest Owner, including the Operator, agrees to hold each other free and harmless from any and all claims for patent infringement which are based on any patent or patents owned or controlled by such Working Interest Owner or its Affiliates.

34.5 Contracting With Third Parties In contracting with non-affiliate third parties for the performance of any work constituting a part of Operations, Operator shall exercise its best efforts to obtain the agreement of each such third party to defend and hold harmless each of the Working Interest Owners with respect to any suit or action for patent or copyright infringement or misappropriation of trade secrets or confidential information which may be brought against any Working Interest Owner based upon the work carried out by such third party. In the event any such claim, suit or action is brought against any of the Working Interest Owners based upon the performance of any part of Operations, the costs of defending such suit or action, and any damages or royalties which may be awarded to the plaintiff therein (to the extent such costs or

damages are not borne by any third party who shall have agreed to defend and hold harmless as provided in the preceding sentence) shall be for the Joint Account; provided, however, that should any of the Working Interest Owners be already licensed under the rights involved in such suit or action, such Working Interest Owner shall not be required to contribute to the Joint Account the portion of such costs and damages as it would otherwise be obligated to contribute to the extent that such costs and damages are reduced by reason of such license.

ARTICLE 35: EQUAL OPPORTUNITY, SAFETY, AND HEALTH

In connection with the performance of work conducted under this Agreement, Operator agrees to comply and to require all contractors to comply with all valid and applicable federal and state laws, regulations, and order, including safety and health standards and nondiscrimination which shall include, but not necessarily be limited, Executive Orders 11246, 11375, 11598, and 11758, as amended, and Title 18, Chapter 80, Article 4 and 5, Alaska Statutes, as amended. Without limiting the generality of the foregoing, the provisions set out in Exhibit J attached hereto, are made a part hereof with the understanding that the word "Contractor," as used therein, also has the same meaning as "Operator," as used herein.

ARTICLE 36: MEMORANDUM OF AGREEMENT

The Parties agree that a Memorandum of Agreement in the form provided in Exhibit H hereto shall be executed upon presentation by the Operator after execution of this Agreement and Operator shall promptly record the Memorandum of Agreement in the applicable recording district for the Subject Lands.

ARTICLE 37: EFFECTIVE DATE AND TERM

37.1 Effective Date This Agreement shall become effective upon September 16, 2008.

37.2 Term Except for the provisions of Subsection 10.3.C., Section 25.1 and Article 34, this Agreement shall remain in force and effect for so long as the Subject Lands or any part thereof remain in effect. The Confidentiality provisions set forth in Section 25.1 and Article 34 shall expire one (1) year after the termination of this Agreement. The Confidentiality provisions set forth in Subsection 10.3.C., shall not expire.

37.3 Effect of Termination Notwithstanding termination of this Agreement, the provisions hereof relating to the charging and payment of Expenditures and the disposition of materials and Facilities shall continue in force until all materials and Facilities owned by the Parties have been disposed of, abandonment activities completed, and until final accounting between Operator and the Participating Parties has been made. All indemnity provisions and accrual obligations shall survive termination of this Agreement. Termination of this Agreement shall automatically terminate all rights and interests acquired by virtue of this Agreement in the

Subject Lands, except such transfers that have been evidenced by formal written instrument of transfer in accordance with this Agreement.

ARTICLE 38: MISCELLANEOUS

38.1 Gender and Number In this Agreement, whenever the context so requires, the neuter gender includes the masculine and feminine, the singular includes the plural, and vice versa.

38.2 Successors and Assigns The provisions of this Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Parties.

38.3 No Third Party Beneficiaries It is the express intention of all Parties hereto that there shall be no third party beneficiaries to this Agreement.

38.4 No Assignment of Interest The Parties agree that nothing contained in this Agreement shall: (i) constitute a cross assignment of Working Interests in and to leases or specific depths thereunder; or (ii) entitle a Party to an interest in and to Unitized Substances produced from a stratum, depth, zone or Reservoir in which it has no Working Interest ownership.

38.5 Severability If any non-material term or provision of this Agreement is found by a court of competent jurisdiction in a decision not subject to further appeal to be illegal or unenforceable, said term or provision shall be stricken and this Agreement conformed as necessary. All other terms and provisions shall remain in full force and effect for the term of this Agreement.

38.6 Headings for Convenience The underlined headings used in this Agreement are inserted for administrative convenience only and shall be disregarded in construing this Agreement.

38.7 Interpretation THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT AS BETWEEN THEMSELVES WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ALASKA AND IT IS FURTHER AGREED THAT ANY CONFLICT OF LAW DOCTRINE WHICH MAY DIRECT OR REFER DETERMINATION OF ANY MATTER TO THE LAW OF ANY OTHER JURISDICTION SHALL NOT BE UTILIZED. ANY SUIT BETWEEN THE PARTIES ARISING OUT OF THIS AGREEMENT SHALL BE BROUGHT ONLY IN THE SUPERIOR COURT FOR THE STATE OF ALASKA, THIRD JUDICIAL DISTRICT AT ANCHORAGE OR IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF ALASKA AS APPROPRIATE.

38.8 Entirety of Agreement Except as provided for in the Joint Venture Agreements between Brooks Range Petroleum Corporation and AVCG, LLC, and Ramshorn Investments, Inc., TG World Energy Inc. and Bow Valley Alaska Corporation this Agreement expresses the

entire understanding and agreement of the Parties and replaces all prior agreements or understandings, including any prior agreements creating or affecting areas of mutual interest and prior rights resulting therefrom, whether oral or written, on the matters addressed herein.

38.9 Counterpart Execution This Agreement may be executed by signing the original or a counterpart thereof. If this Agreement is executed in counterparts, all counterparts taken together shall have the same effect as if all the Parties had signed the same instrument.

38.10 Arbitration Where arbitration is provided by the terms and provisions of this Agreement, the Arbitration Procedure set forth in Exhibit "L" shall govern the resolution of all disputes.

IN WITNESS OF THE FOREGOING, the parties have executed this Agreement on the dates opposite their respective signatures.

OPERATOR:

BROOKS RANGE PETROLEUM CORPORATION

By: _____ Date: 11.01.08

James R. Winegarner

Title: Vice President of Land & External Affairs

Address:

BROOKS RANGE PETROLEUM CORPORATION
Attention: James R. Winegarner
510 L Street, Suite 601
Anchorage, AK 99501
Telephone: (907) 339-9965 (main)
(907) 865-5804 (direct)
Facsimile: (907) 339-9961
E-Mail: jimwinegarner@brooksrangepetro.com

NON-OPERATORS:

AVCG, LLC

By: _____ Date: 9/25/08
C. Edgar Dunne
Title: Managing Partner

Address:

AVCG, LLC
Attention: C. Edgar Dunne
510 L Street, Suite 601
Anchorage, AK 99501
Telephone: (907) 339-9965 (main)
(907) 865-5841 (direct)
Facsimile: (907) 339-9961
E-Mail: edunne@brooksrangepetro.com

TG WORLD ENERGY, INC.

By: _____ Date: Oct 21/08.
Clifford M. James
Title: President and CEO

Address:

TG WORLD ENERGY, INC.
Attention: Clifford James
Suite 2000, 736 - 6th Avenue SW
Calgary, Alberta T2P 3T7, Canada
Telephone: (403) 265-4506
Facsimile: (403) 264-2028
E-Mail: tvipres@telus.net

RAMSHORN INVESTMENTS, INC.

By: _____ Date: 9/30/08

Jordan R. Smith
Title: President

Address:

RAMSHORN INVESTMENTS, INC.
Attention: Jordan R. Smith
515 W. Greens Road, Suite 1000
Houston, Texas 77067
Telephone: (281) 775-8527
Facsimile: (281) 775-8414
E-Mail: jordan.smith@nabors.com

BOW VALLEY ALASKA CORPORATION

By: _____ Date: 21-Oct-2008
C. W. Leigh Cassidy
Title: President

Address:

BOW VALLEY ALASKA CORPORATION
Attention: C. W. Leigh Cassidy
Suite 1200, 333 7th Avenue S.W.
Calgary, Alberta T2P 2Z1, Canada
Telephone: (403) 232-0292
Facsimile: (403) 232-8920
E-Mail: lcassidy@bvenergy.com

EXHIBIT A (revised 12.15.10)

Description of Oil and Gas Leases that comprise the Subject Lands

Attached to the Areawide AMI Joint Operating Agreement, dated effective 15th day of September, 2008, by and among Brooks Range Petroleum Corporation, as Operator, and AVCG, LLC, TG World Energy, Inc., Ramshorn Investments, Inc., Brooks Range Development Corporation, as Non-Operators

	Lease Area	Gross Acres	Effective Date	Expiration Date	AVCG Working Interest	AVCG Royalty Interest	TG World Working Interest	TG World Royalty Interest	Ramshorn Working Interest	Ramshorn Royalty Interest	BRDC Working Interest	BRDC Royalty Interest	SOA Royalty Interest	ASRC Royalty Interest	ORRI Total
390457	Cronus *	2,533.00	4/1/2004	3/31/2011	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
390458	Cronus *	2,544.00	4/1/2004	3/31/2011	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
390482	proposed S.M. Unit	2,501.00	4/1/2004	3/31/2011	30%	24%	25%	20%	25%	20%	20%	16%	14.62667%	2.04%	3.33333%
390483	Cronus *	2,512.00	4/1/2004	3/31/2011	30%	24%	25%	20%	25%	20%	20%	16%	12.58%	4.08667%	3.33333%
		10,090.00													
390672	Tofkat *	228.00	8/1/2005	7/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	3.49167%	13.175%	3.33333%
390673	Tofkat *	25.00	8/1/2005	7/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	0.925%	15.74167%	3.33333%
390674	Tofkat*	1,280.00	8/1/2005	7/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	10.685%	5.98167%	3.33333%
390675	Tofkat*	1,246.00	8/1/2005	7/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	8.46667%	8.2%	3.33333%
390676	Tofkat *	1,920.00	8/1/2005	7/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	11.765%	4.90167%	3.33333%
390677	Tofkat *	611.00	8/1/2005	7/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	4.59167%	12.075%	3.33333%
390678	Tofkat *	1,920.00	8/1/2005	7/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	10.24%	6.42667%	3.33333%
390679	Tofkat *	437.00	8/1/2005	7/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	7.68667%	8.98%	3.33333%
391015	Tofkat *	640.00	9/1/2006	8/31/2013	30%	24%	25%	20%	25%	20%	20%	16%	9.76167%	6.905%	3.33333%
391016	Tofkat *	364.00	9/1/2006	8/31/2013	30%	24%	25%	20%	25%	20%	20%	16%	3.42833%	13.23834%	3.33333%
391203	Tofkat	1,280.00	9/1/2007	8/31/2012	30%	24.549999%	25%	20.458333%	25%	20.458333%	20%	16.366666%	8.333335%	8.333335%	1.50000%
391204	Tofkat *	640.00	9/1/2007	8/31/2012	30%	24.549999%	25%	20.458333%	25%	20.458333%	20%	16.366666%	11.63334%	5.03333%	1.50000%
391205	Tofkat *	540.00	9/1/2007	8/31/2012	30%	24.549999%	25%	20.458333%	25%	20.458333%	20%	16.366666%	12.59%	4.07667%	1.50000%
391206	proposed S.M. Unit	2,491.00	9/1/2007	8/31/2012	30%	24.549999%	25%	20.458333%	25%	20.458333%	20%	16.366666%	10.50834%	6.15833%	1.50000%
391321	proposed S.M. Unit	2,560.00	8/1/2008	7/31/2013	30%	24.549999%	25%	20.458333%	25%	20.458333%	20%	16.366666%	16.66667%		1.50000%
391535	Tofkat	615.86	7/1/2010	6/30/2017	30%	24.549999%	25%	20.458333%	25%	20.458333%	20%	16.366666%	0.925%	15.74167%	1.50000%
391536	Tofkat	5.53	7/1/2010	6/30/2017	30%	24.549999%	25%	20.458333%	25%	20.458333%	20%	16.366666%	8.51667%	8.150002%	1.50000%
391537	Tofkat	917.81	7/1/2010	6/30/2017	30%	24.549998%	25%	20.458331%	25%	20.458331%	20%	16.366665%	3.72333%	12.94334%	1.50000%
391538	Tofkat	306.53	7/1/2010	6/30/2017	30%	24.549999%	25%	20.458333%	25%	20.458333%	20%	16.366666%	9.33167%	7.335%	1.50000%
		18,029.00													
390430 (1)	Gwyder Bay (3 sections)	1,920.00	5/1/2004	Held by BPU	30%	24%	35%	28%	35%	28%			16.66667%		3.33333%
390508 (1)	Gwyder Bay (2 sections)	1,280.00	3/1/2007	Held by BPU	30%	24%	35%	28%	35%	28%			16.66667%		3.33333%
390509	Gwyder Bay	2,437.00	4/1/2004	Held by BPU	30%	24%	35%	28%	35%	28%			16.66667%		3.33333%
390851 (1)	Gwyder Bay (2 sections)	1,280.00	3/1/2007	Held by BPU	30%	24%	35%	28%	35%	28%			16.66667%		3.33333%
390073	Gwyder Bay	2,560.00	9/1/2002	Held by BPU	30%	24%	35%	28%	35%	28%			16.66667%		3.33333%
390074	Gwyder Bay	2,555.00	9/1/2002	Held by BPU	30%	24%	35%	28%	35%	28%			16.66667%		3.33333%
391152 (1)	Gwyder Bay (2 sections)	1,270.00	9/1/2007	Held by BPU	30%	24.549999%	35%	28.641666%	35%	28.641666%			16.66667%		1.50000%
391153	Gwyder Bay	2,560.00	9/1/2007	Held by BPU	30%	24.549999%	35%	28.641666%	35%	28.641666%			16.66667%		1.50000%
391155	Gwyder Bay	2,544.00	9/1/2007	Held by BPU	30%	24.549999%	35%	28.641666%	35%	28.641666%			16.66667%		1.50000%
391156	Gwyder Bay	2,560.00	9/1/2007	Held by BPU	30%	24.549999%	35%	28.641666%	35%	28.641666%			16.66667%		1.50000%
391157	Gwyder Bay	2,560.00	9/1/2007	Held by BPU	30%	24.549999%	35%	28.641666%	35%	28.641666%			16.66667%		1.50000%
391158	Gwyder Bay	2,560.00	9/1/2007	Held by BPU	30%	24.549999%	35%	28.641666%	35%	28.641666%			16.66667%		1.50000%
391159	Gwyder Bay	2,560.00	9/1/2007	Held by BPU	30%	24.549999%	35%	28.641666%	35%	28.641666%			16.66667%		1.50000%

EXHIBIT A (revised 12.15.10)

Description of Oil and Gas Leases that comprise the Subject Lands

Attached to the Areawide AMI Joint Operating Agreement, dated effective 15th day of September, 2008, by and among Brooks Range Petroleum Corporation, as Operator, and AVCG, LLC, TG World Energy, Inc., Ramshorn Investments, Inc., Brooks Range Development Corporation, as Non-Operators

	Lease Area	Gross Acres	Effective Date	Expiration Date	AVCG Working Interest	AVCG Royalty Interest	TG World Working Interest	TG World Royalty Interest	Ramshorn Working Interest	Ramshorn Royalty Interest	BRDC Working Interest	BRDC Royalty Interest	SOA Royalty Interest	ASRC Royalty Interest	ORRI Total
391208	Gwyder Bay	1,328.00	9/1/2007	Held by BPU	30%	24.549999%	35%	28.641666%	35%	28.641666%			16.66667%		1.50000%
389947	Gwyder Bay	640.00	9/1/2002	Held by BPU	30%	24%	35%	28%	35%	28%			16.66667%		3.33333%
390425 (1)	Gwyder Bay (1 section)	640.00	5/1/2004	Held by BPU	30%	24.45%	35%	28.525%	35%	28.525%			16.66667%		1.83333%
390426	Gwyder Bay	1,280.00	5/1/2004	Held by BPU	30%	24.45%	35%	28.525%	35%	28.525%			16.66667%		1.83333%
		32,534.00													
389948	BPU * TG Relinquished	640.00	9/1/2002	Held by BPU	26.15385%	20.92308%			53.84615%	43.07692%	20%	16%	16.66667%		3.33333%
390851 (2)	BPU * TG Relinquished	1,280.00	3/1/2007	Held by BPU	26.15385%	20.92308%			53.84615%	43.07692%	20%	16%	16.66667%		3.33333%
390428	BPU * TG Relinquished	1,274.00	5/1/2004	Held by BPU	26.15385%	20.92308%			53.84615%	43.07692%	20%	16%	16.66667%		3.33333%
390430 (2)	BPU * TG Relinquished	640.00	5/1/2004	Held by BPU	26.15385%	20.92308%			53.84615%	43.07692%	20%	16%	16.66667%		3.33333%
390431	BPU * TG Relinquished	2,560.00	5/1/2004	Held by BPU	26.15385%	20.92308%			53.84615%	43.07692%	20%	16%	16.66667%		3.33333%
390432	BPU * TG Relinquished	2,560.00	5/1/2004	Held by BPU	26.15385%	20.92308%			53.84615%	43.07692%	20%	16%	16.66667%		3.33333%
390508 (2)	BPU * TG Relinquished	1,280.00	3/1/2007	Held by BPU	26.15385%	20.92308%			53.84615%	43.07692%	20%	16%	16.66667%		3.33333%
390429	BPU * TG Relinquished	2,560.00	5/1/2004	Held by BPU	26.15385%	20.92308%			53.84615%	43.07692%	20%	16%	16.66667%		3.33333%
47468	BPU * TG Relinquished	2,437.00	Not Yet Earned	Held by well	26.15385%	20.92308%			53.84615%	43.07692%	20%	16%	12.50000%		7.50000%
390425 (2)	BPU * TG Relinquished	1,920.00	5/1/2004	Held by BPU	26.15385%	21.315388%			53.84615%	43.884612%	20%	16%	16.66667%		1.83333%
390427	BPU * TG Relinquished	1,280.00	5/1/2004	Held by BPU	26.15385%	21.315388%			53.84615%	43.884612%	20%	16%	16.66667%		1.83333%
391152 (2)	BPU * TG Relinquished	1,273.00	9/1/2007	Held by BPU	26.15385%	21.402566%			53.84615%	44.064098%	20%	16.366666%	16.66667%		1.50000%
391287	BPU * TG Relinquished	640.00	8/1/2008	Held by BPU	26.15385%	20.92308%			53.84615%	43.07692%	20%	16%	16.66667%		3.33333%
		20,344.00													
390455	South Thomson	2,560.00	4/1/2004	3/31/2011	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
390456	South Thomson	2,450.00	4/1/2004	3/31/2011	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
390959	South Thomson	2,560.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
390960	South Thomson	2,560.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
390963	South Thomson	2,560.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
390964	South Thomson	2,560.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
390965	South Thomson	2,560.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
390966	South Thomson	2,560.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
390967	South Thomson	2,450.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
390968	South Thomson	2,560.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
390969	South Thomson	2,560.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
390971	South Thomson	2,439.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
390972	South Thomson	2,560.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
390973	South Thomson	2,450.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
390974	South Thomson	2,560.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
390975	South Thomson	2,560.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
390976	South Thomson	802.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
390977	South Thomson	2,439.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
390997	South Thomson	2,560.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%

EXHIBIT A (revised 12.15.10)

Description of Oil and Gas Leases that comprise the Subject Lands

Attached to the Areawide AMI Joint Operating Agreement, dated effective 15th day of September, 2008, by and among Brooks Range Petroleum Corporation, as Operator, and AVCG, LLC, TG World Energy, Inc., Ramshorn Investments, Inc., Brooks Range Development Corporation, as Non-Operators

	Lease Area	Gross Acres	Effective Date	Expiration Date	AVCG Working Interest	AVCG Royalty Interest	TG World Working Interest	TG World Royalty Interest	Ramshorn Working Interest	Ramshorn Royalty Interest	BRDC Working Interest	BRDC Royalty Interest	SOA Royalty Interest	ASRC Royalty Interest	ORRI Total
390998	South Thomson	2,400.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
390999	South Thomson	2,560.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391000	South Thomson	2,560.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391001	South Thomson	2,544.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391002	South Thomson	2,560.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391003	South Thomson	2,560.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391004	South Thomson	2,555.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391005	South Thomson	1,280.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391006	South Thomson	2,560.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391007	South Thomson	2,544.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391008	South Thomson	2,560.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391009	South Thomson	2,560.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391010	South Thomson	2,560.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391011	South Thomson	800.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391012	South Thomson	1,917.00	2/1/2007	1/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391284	South Thomson	1,092.00	8/1/2008	7/31/2013	30%	24.55%	25%	20.45833%	25%	20.45833%	20%	16.36667%	16.66667%		1.50000%
391285	South Thomson	420.00	8/1/2008	7/31/2013	30%	24.55%	25%	20.45833%	25%	20.45833%	20%	16.36667%	16.66667%		1.50000%
391312	South Thomson	2,560.00	8/1/2008	7/31/2013	30%	24.55%	25%	20.45833%	25%	20.45833%	20%	16.36667%	16.66667%		1.50000%
390826	South Thomson	2,560.00	3/1/2007	2/29/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391376	South Thomson	1,268.39	9/1/2009	8/31/2014	30%	24.55%	25%	20.45833%	25%	20.45833%	20%	16.36667%	16.66667%		1.50000%
391378	South Thomson	1,070.00	9/1/2009	8/31/2014	30%	24.55%	25%	20.45833%	25%	20.45833%	20%	16.36667%	16.66667%		1.50000%
391739	South Thomson	2,560.00			30%	24.55%	25%	20.45833%	25%	20.45833%	20%	16.36667%	16.66667%		1.50000%
	92,361.00														
390498	proposed S.M. Unit	2,560.00	5/1/2004	4/30/2011	30%	24%	25%	20%	25%	20%	20%	16%	12.54084%	4.12583%	3.33333%
390499	proposed S.M. Unit	2,560.00	5/1/2004	4/30/2011	30%	24%	25%	20%	25%	20%	20%	16%	10.42334%	6.24333%	3.33333%
390500	proposed S.M. Unit	2,560.00	5/1/2004	4/30/2011	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
390501	proposed S.M. Unit	2,560.00	5/1/2004	4/30/2011	30%	24%	25%	20%	25%	20%	20%	16%	14.58334%	2.08333%	3.33333%
391434	proposed S.M. Unit	2,560.00	6/1/2009	5/31/2014	30%	24%	25%	19.70833%	25%	20%	20%	16%	16.66667%		3.62500%
391435	proposed S.M. Unit	2,560.00	6/1/2009	5/31/2014	30%	24%	25%	19.70833%	25%	20%	20%	16%	16.66667%		3.62500%
391446	proposed S.M. Unit	2,560.00	6/1/2009	5/31/2014	30%	24%	25%	19.70833%	25%	20%	20%	16%	16.66667%		3.62500%
391448	proposed S.M. Unit	1,239.00	6/1/2009	5/31/2014	30%	24%	25%	19.70833%	25%	20%	20%	16%	16.66667%		3.62500%
391551	proposed S.M. Unit	1,920.00	7/1/2010	6/30/2017	30%	24.55%	25%	20.45833%	25%	20.45833%	20%	16.36667%	16.66667%		1.50000%
391447	proposed S.M. Unit	640.00	6/1/2009	5/31/2014	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391540	proposed S.M. Unit	2,501.00	7/1/2010	6/30/2017	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391546	proposed S.M. Unit	2,560.00	7/1/2010	6/30/2017	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391547	proposed S.M. Unit	1,280.00	7/1/2010	6/30/2017	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391548	proposed S.M. Unit	1,920.00	7/1/2010	6/30/2017	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391549	proposed S.M. Unit	1,920.00	7/1/2010	6/30/2017	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%

EXHIBIT A (revised 12.15.10)

Description of Oil and Gas Leases that comprise the Subject Lands

Attached to the Areawide AMI Joint Operating Agreement, dated effective 15th day of September, 2008, by and among Brooks Range Petroleum Corporation, as Operator, and AVCG, LLC, TG World Energy, Inc., Ramshorn Investments, Inc., Brooks Range Development Corporation, as Non-Operators

	Lease Area	Gross Acres	Effective Date	Expiration Date	AVCG Working Interest	AVCG Royalty Interest	TG World Working Interest	TG World Royalty Interest	Ramshorn Working Interest	Ramshorn Royalty Interest	BRDC Working Interest	BRDC Royalty Interest	SOA Royalty Interest	ASRC Royalty Interest	ORRI Total
391550	proposed S.M. Unit	1,241.00	7/1/2010	6/30/2017	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391552	proposed S.M. Unit	2,491.00	7/1/2010	6/30/2017	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
	35,632.00														
391193	Big Island *	2,560.00	9/1/2007	8/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391194	Big Island *	2,560.00	9/1/2007	8/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391195	Big Island *	1,488.00	9/1/2007	8/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391196	Big Island *	2,560.00	9/1/2007	8/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391197	Big Island *	2,560.00	9/1/2007	8/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391198	Big Island *	2,544.00	9/1/2007	8/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391199	Big Island *	2,560.00	9/1/2007	8/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391200	Big Island *	2,560.00	9/1/2007	8/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
391201	Big Island *	2,555.00	9/1/2007	8/31/2012	30%	24%	25%	20%	25%	20%	20%	16%	16.66667%		3.33333%
	21,947.00														
Total Gross Acres		230,937.00													
Total TG Gross Acres															
	Eastern	92,361.00													
	Western	85,698.00													
	Beechey Pt. Unit	52,878.00													

EXHIBIT "H"

Attached to the Areawide AMI Joint Operating Agreement, dated effective 16th day of September, 2008, by and among Brooks Range Petroleum Corporation, as Operator, and AVCG, LLC, TG World Energy, Inc., Ramshorn Investments, Inc., Bow Valley Alaska Corporation, as Non-Operators

MEMORANDUM OF JOINT OPERATING AGREEMENT
AFFECTING OIL AND GAS LEASES

This Memorandum of Operating Agreement Affecting Oil and Gas Leases ("Memorandum") is effective as of the 1st day of September, 2006, by and among Brooks Range Petroleum Corporation, a Delaware corporation qualified to do business in Alaska, whose address is 510 L Street, Suite 601, Anchorage, Alaska 99501 (the "Operator"), and AVCG, LLC, TG World Energy, Inc., Ramshorn Investments, Inc., Bow Valley Alaska Corporation, (individually "Working Interest Owner" and collectively "Working Interest Owners"). The Operator and the Working Interest Owners may be referred to herein individually as a "Party" and collectively as "Parties".

WHEREAS, the Parties have entered into that certain Areawide AMI Joint Operating Agreement dated the 1st day of September, 2006 (the "Operating Agreement"), which provides for the exploration, development and production of crude oil, natural gas and associated substances from the oil and gas leases located on the North Slope of Alaska and listed and described in Attachments 1 and 2 to this Memorandum (hereinafter called the "Subject Lands");

WHEREAS, the Parties wish to execute and record a memorandum of the Operating Agreement;

NOW THEREFORE, the Parties agree as follows:

1. Capitalized terms used herein and not otherwise defined shall have the meaning giving to such terms in the Operating Agreement. As used herein:

(a) The term "Expenditures" means all expenses or indebtedness incurred by Working Interest Owners or Operator for or on account of Operations, and all other expenses that are made chargeable as costs, determined in accordance with the Accounting Procedure of the Operating Agreement.

(b) The term "Unitized Substances" shall mean all oil, gas (except helium), gaseous substances, condensate, distillate, and all associated constituent liquid or liquefiable substances (other than water) within or produced from a wellbore located on the Subject Lands without regard to the fact that the Subject Lands are or are not subject to a Unit Agreement except to the extent that such substances are substances that are injected into a Reservoir and that have been purchased or otherwise obtained from any

other unit or Participating Area (commonly referred to as "Outside Substances").

2. Brooks Range Petroleum Corporation., as the Operator appointed under the Operating Agreement at the time this Memorandum Agreement is executed, shall conduct such operations for the Working Interest Owners as permitted or required by and within the terms of the Operating Agreement.

3. The liability of the Parties under the Operating Agreement shall be several and not joint or collective. Each Party shall only be responsible for its obligations and shall only be liable for its proportionate share of Expenditures.

4. Among other provisions, the Operating Agreement (a) provides for certain liens and security interests to secure payment by the Parties of their respective share of Expenditures and performance of other obligations under the Operating Agreement, which liens and security interests shall be perfected by additional recordings and filings; (b) contains accounting provisions that include, among other things, interest to be charged on amounts past due and owing under the Operating Agreement at the rate set forth therein; (c) includes non-consent clauses which establish that Parties who elect not to participate in certain operations shall (i) be deemed to have relinquished their interest in the production of Unitized Substances until the Working Interest Owners recover their costs of such operations plus a specified amount or (ii) forfeit their interest in certain Subject Lands or portions thereof involved in such operations; and (d) grants each Party to the Operating Agreement the right to take in kind its proportionate share of all Unitized Substances produced from the Subject Lands.

5. A true and correct copy of the Operating Agreement is available for inspection for parties with a need to know at the offices of the Operator at the address set forth in this Memorandum and if a state or federal oil and gas unit involving the Subject Lands is established, may be available for inspection at the offices of the State of Alaska or Bureau of Land Management in Anchorage, Alaska.

6. The Operating Agreement shall remain in effect for so long as all the Subject Lands or any part of the Subject Lands remains in effect, unless terminated sooner as provided therein.

7. This Agreement may be executed by signing the original or a counterpart thereof. If this Agreement is executed in counterparts, all counterparts taken together shall have the same effect as if all the Parties had signed the same instrument.

Brooks Range Petroleum Corporation

By: _____

Title: _____

AVCG, LLC

By: _____

Title: _____

TG World Energy, Inc.

By: _____

Title: _____

Ramshorn Investments, Inc.

By: _____

Title: _____

Bow Valley Alaska Corporation

By: _____

Title: _____

ACKNOWLEDGEMENTS AND NOTARIZATIONS

State of Alaska)
) ss.
Third Judicial District)

The foregoing instrument was acknowledged before me this _____ day of _____, 2008, by _____, its _____, of Brooks Range Petroleum Corporation, a Delaware corporation, on behalf of the corporation, who says on oath or affirmation that he has read the foregoing document and believes all statements made in the document are true.

Subscribed and sworn to or affirmed before me at Anchorage, Alaska, on the _____ day of _____, 2008.

_____
Notary Public in and for the State of Alaska
My Commission Expires: _____

State of _____)
) ss.
County of _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2008 by _____, its _____, of AVCG, LLC, a limited liability company formed in the State of Kansas, on behalf of the members, who says on oath or affirmation that he has read the foregoing document and believes all statements made in the document are true.

Subscribed and sworn to or affirmed before me at _____, on the _____ day of _____, 2008.

_____
Notary Public in and for the State of _____
My Commission Expires: _____

State of Alaska)
) ss.
Third Judicial District)

The foregoing instrument was acknowledged before me this _____ day of _____, 2008, by _____, its _____, of TG World Energy, Inc., a Delaware corporation, on behalf of the corporation, who says on oath or affirmation that he (or she) has read the foregoing document and believes all statements made in the document are true.

Subscribed and sworn to or affirmed before me at _____, on the _____ day of _____, 2008.

_____
Notary Public in and for the State of Alaska
My Commission Expires: _____

State of Alaska)
) ss.
Third Judicial District)

The foregoing instrument was acknowledged before me this _____ day of _____, 2008, by _____, its _____, of Ramshorn Investments, Inc., a Delaware corporation, on behalf of the corporation, who says on oath or affirmation that he (or she) has read the foregoing document and believes all statements made in the document are true.

Subscribed and sworn to or affirmed before me at _____, on the _____ day of _____, 2008.

_____
Notary Public in and for the State of Alaska
My Commission Expires: _____

State of Alaska)
) ss.
Third Judicial District)

The foregoing instrument was acknowledged before me this _____ day of _____, 2008, by _____, its _____, of Bow Valley Alaska Corporation, a Delaware corporation, on behalf of the corporation, who says on oath or affirmation that he (or she) has read the foregoing document and believes all statements made in the document are true.

Subscribed and sworn to or affirmed before me at _____, on the _____ day of _____, 2008.

_____
Notary Public in and for the State of Alaska
My Commission Expires: _____

EXHIBIT "I"

Attached to the Areawide AMI Joint Operating Agreement, dated effective 16th day of September, 2008, by and among Brooks Range Petroleum Corporation, as Operator, and AVCG, LLC, TG World Energy, Inc., Ramshorn Investments, Inc., Bow Valley Alaska Corporation, as Non-Operators

AREAWIDE AMI
JOINT OPERATING AGREEMENT
STATE OF ALASKA

ACCOUNTING PROCEDURE
JOINT OPERATIONS

The intent of this procedure is to provide a mechanism for the Operator to charge the Working Interest Owners for costs incurred in support of and for the benefit of the Joint Operations on the Joint Property. It is not the intent to set up a mechanism which would result in the Operator under or over recovering costs, nor is it the intent to have any cost recoverable simultaneously under more than one section of the procedure. It is recognized that not all cost are susceptible to exact determination and that it is necessary to provide for a reasonable estimation of these costs through rates and factors. It is also recognized that the Operator will incur costs that only benefit the Operator. Such costs are not to be charged to the Working Interest Owners either direct or through overhead.

I. GENERAL PROVISIONS

1. Definitions

Capitalized terms (including all forms of such term) used in this Accounting Procedure shall have the meaning stated in Section I.1 hereof or Article 1 of the Areawide AMI Joint Operating Agreement.

"Accounting Committee" shall mean the designated representatives of Working Interest Owners charged with addressing the accounting needs of the Working Interest Owners.

"Adjustment Index" shall mean the average weekly earnings of crude petroleum and gas workers as published by the U. S. Bureau of Labor Statistics or its successor index, or the most nearly comparable index if no such index or successor index is available with Approval of the Parties.

"Commercial Rates" shall mean the value charged by a for profit business for use of equipment, property, facilities or services, and may include equipment operators, fuel and other charges incidental to use of the equipment, property, facilities, or services.

"Controllable Material" shall mean Material which is ordinarily so classified in COPAS Bulletin #6 and controlled by the Operator in the conduct of its operations. A listing of such Materials shall be furnished to the Participating Parties on request.

"COPAS" shall mean the Council of Petroleum Accountants Societies of America.

"Department Head" shall mean the second level of management below the President of Operator (regardless of exact title within the organization) or an equivalent position within an Affiliate, unless there is only one or two positions below the President of Operator in each department. In the event future reorganizations change the effect of these definitions of Department Head, the Parties hereto shall agree upon a new definition to preserve the original intent of the Parties hereto.

"Fair Market Value" shall mean the amount, at which property would change hands in a particular market between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the relevant facts.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/ or contract labor. A supervisor who has other supervisors reporting to this position will not qualify as a First Level Supervisor.

"Joint Operations" shall mean all operations necessary or proper for the exploration, development, operation, protection and maintenance of the Joint Property.

"Joint Property" shall mean the real and personal property subject to the Agreement to which this Accounting Procedure is attached.

"Material" shall mean the personal property, equipment and supplies acquired or held for use on the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of the Operator's employees.

"Research & Development" shall mean planned efforts of Operator or a Working Interest Owner to discover new information that will help create a new process, technology, or technique; and translation of such findings into a commercial process, technology, or technique. Examples have been provided in Section II.19.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other technical skills, including lead engineer, technical or engineering assistants, technicians, environmental scientists, telecommunication technicians, and landmen.

2. Conflict with Agreement

In the event of a conflict between the provisions of this Accounting Procedure and the provisions of the Areawide AMI Joint Operating Agreement to which this Accounting Procedure is attached, the provisions of the Agreement shall control.

3. Statement and Billing

Operator shall bill the Participating Parties on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements of all charges and credits to the Joint Account, summarized by appropriate classifications indicative of the nature thereof, except that items of Controllable Material, intangible drilling cost, audit adjustments, and unusual charges and credits shall be separately and clearly identified.

Compensation for extraordinary costs in excess of $3,000 incurred by the Operator in providing additional data and information which is incremental to data and information normally provided by the Operator and covered by the Overhead provisions in Section III shall be borne by the Party requesting such data and information.

If it becomes necessary to allocate any costs or expenditures to or between Joint Operations and any other operations, including Operations in which one or more Parties has elected not to participate in accordance with the terms of the • Operating Agreement, such allocation shall be made on an equitable basis. For information purposes only, Operator shall furnish a description of this allocation procedures pertaining to these costs and expenditure and its rates for personnel and other charges. Such allocation basis shall be subject to audit under Paragraph 6 of this Section I.

4. Advances and Payments by the Participating Parties

A. Prior to the first day of the month during which Operations as provided for in AFE are to be commenced for operations other than under a Proposal to Develop or the third month following Approval of the Parties of a Proposal to Develop, Operator may require the Participating Parties to advance their share of estimated cash outlay for the month's operations by wire transfer no later than eight (8) work days following receipt of advance funding notice. Operator will account to the Participating Parties on the status of amounts funded compared with amounts due on a monthly basis. Refunds due or additional amounts owed shall be applied in the calculation of the succeeding month's advance.

B. Beginning on the first day of the month during which Operations as provided for in an AFE are to be commenced for operations other than under a Proposal to Develop or the third month following Approval of the Parties of a Proposal to Develop, funding of Unit Operations will be accomplished through zero balance bank accounts or similar process following concepts that will:

(1) Result in the Participating Parties making their share of funds adequate to finance the operation, and available to the Operator on a daily basis.

(2) Result in the Operator not calling the Participating Parties for funds earlier than necessary to cover disbursements presented to the banks for payment.

(3) Recognize that each of the Parties' share of funds will have to be estimated and Operator will make all reasonable efforts to maintain such estimates as nearly as possible to actual.

(4) Provide reasonable assurance that unauthorized amounts will not be funded through the daily funding mentioned above. Any such amounts funded will be adjusted in the next month's billing.

C. Operator will account to the Participating Parties on the status of amounts funded under A or B above compared with amounts due on a monthly basis. Payments or refunds by the Parties will be made within eight (8) work days following advice by Operator, except that if refunds are due to Parties from other than the Operator, such refunds will be made when received by the Operator. Interest will be added to amounts settled for all Working Interest Owners. The number of days on which interest will be applied will be one-half the number of days in the billing month, plus the total number of additional days until date of advice by Operator. The daily interest rate will be equal to 1/ 365th of the annual rate charged on the first calendar day of the billing month, to substantial and responsible commercial borrowers, by Citibank N.A., New York, New York.

D. If amounts due under A, B and C above are not paid as provided, the amount due shall bear interest for the period such amounts remain unpaid at the annual rate stipulated in C above, or the maximum contract rate permitted by applicable usury laws in the state in which the Joint Property is located, whichever is the lesser.

5. Adjustments

Payment of any such bill shall not prejudice the right of any Participating Party to protest or question the correctness thereof, however, all bills and statements rendered to the Participating Parties by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Participating Party takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is charged to the Joint Account within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section VII.

6. Audits

A Participating Party, upon notice in writing to Operator and all other Participating Parties, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 5 of this Section 1. Where there are two or more Participating Parties, the Participating Parties shall make every reasonable effort to conduct a joint audit in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Participating Parties' audit cost incurred under this paragraph unless agreed to by the Operator. The audits shall not be conducted more than once each year without prior approval of Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of those Participating Parties approving such audit.

The Operator shall reply in writing to an audit report within 180 days after receipt of such report. The auditors shall respond to the Operators reply within 180 days with their acceptance or rebuttal. If agreement is not reached at this time the issue(s) will be discussed by the Accounting Committee. If the Accounting Committee is unable to reach agreement after considering the issue(s) for 180 days, the issue(s) will be forwarded to the representatives authorized to vote for each Party in accordance with Section 8.2 of the Agreement. In the event resolution cannot be reached by obtaining Approval of the Parties within 360 days following receipt of the issue(s) from the Accounting Committee, the Operator or a Participating Party with a minimum of fifteen percent (15%) Working Interest in the claim may request the audit claim be submitted to arbitration. The arbitration procedure will be modeled after that prescribed in Section III.2.D(4)(a-i), except that the issue to be arbitrated will be the audit claim and the time parameters will begin with the formal request for arbitration. Expertise of the panel selected to arbitrate shall relate to the audit issue being arbitrated.

II. DIRECT CHARGES

No expenditure included under Section II shall be included or duplicated under Section III — Overhead.

Operator shall charge the Joint Account with the following items:

1. **Ecological and Environmental**

Costs incurred for Joint Operations as a result of statutory regulations for archaeological and geophysical surveys relative to identification and protection of cultural resources and/ or other environmental or ecological surveys as may be required by any regulatory authority. Also, a pro rata share of Operator's costs attributable to participation in Oil Spill Cooperatives for Joint Operations (based on the same risk weighting by field or operation as employed by the Oil Spill Cooperatives when available, i.e. rig days or production volumes), as well as other costs to provide or have available pollution containment and removal equipment for Joint Operations, plus costs of actual control and cleanup and resulting responsibilities of oil spill as required by applicable laws and regulations.

2. **Rentals and Lease Burdens**

Lease rentals and minimum royalties paid by Operator for the Joint Operations.

3. **Labor**

A. (1) Reasonable compensation (including salaries and wages earned, other compensation mechanism, or compensatory time off and excluding overriding royalties paid on Subject Lands) of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.

(2) Reasonable compensation (including salaries and wages earned, other compensation mechanism, or compensatory time off and excluding overriding royalties paid on Subject Lands) of off-site Technical Employees of Operator employed for the benefit of the Joint Operations, supported by approved time sheets.

(3) Reasonable compensation (including salaries and wages earned, other compensation mechanism, or compensatory time off and excluding overriding royalties paid on Subject Lands) of employees working on the operation, maintenance and development of Subject Lands data gathering and field automation systems, supported by approved time sheets. To the extent services are provided to other

operations by employees operating, maintaining, or developing Subject Lands data gathering and field automation systems, an appropriate portion of employee compensation shall be charged to the benefiting operation on an equitable basis.

(4) Reasonable compensation (including salaries and wages earned, other compensation mechanism, or compensatory time off and excluding overriding royalties paid on Subject Lands) of employees working on the development of Joint Property-unique dedicated computer applications necessary for the proper conduct of Joint Operations such as preventative maintenance and material control systems if within the scope of an approved AFE, and supported by approved time sheets.

(5) Reasonable compensation (including, salaries and wages earned, other compensation mechanism, or compensatory time off and excluding overriding royalties paid on Subject Lands) of Technical Employees of Operator's Affiliates employed for the benefit of the Joint Property, supported by approved time sheets. Related overhead shall not exceed 100% of the technical labor costs plus benefits and government assessments as defined in Section II.3(B) and Section II.4 unless otherwise agreed to by Approval of the Parties for a specific project.

(6) Actual Personal Expenses to and from the Joint Property of those employees whose salaries and wages are chargeable under Paragraphs 3A(1-5) of this Section II.

B. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to the Operator's labor cost of salaries and wages chargeable to the Joint Account under Paragraph 3 of this Section II.

C. Relocation expenses of Operator's employees who remain on their original assignment, whose compensation is chargeable to the Joint Account under Paragraphs 3A(1) and 3A(3) of this Section II, and for which expense employees are reimbursed under Operator's usual practice.

D. Termination costs and benefits paid to Operator's employees whose compensation is chargeable to the Joint Account under Paragraphs 3A(1) and

3A(3) of this Section II. Severance payments based on length of service will be apportioned to the Joint Account based on the ratio of Joint Property length of service to total length of service.

E. Labor and incremental costs of training, related to employee's current job responsibilities and required to maintain professional certifications or enhance professional skills, or to comply with laws and regulations for those employees whose compensation is chargeable to the Joint Account under Paragraphs 3A(1) and 3A(3), of this Section II.

F. Any other customary expenditures not covered or dealt with in the foregoing provisions of this Section II.3, or in Section III, and which are incurred by the Operator incidental to maintenance of employees or organizations whose compensation is chargeable to the Joint Account under Paragraphs 3A(1) and 3A(3), of this Section II in the necessary and proper conduct of the Joint Operation such as contract labor and services, equipment rentals, telecommunication, personal computing software, computing supplies and repair, service, and maintenance, professional society memberships, office supplies, employee business meals, air freight, and mailing and transportation.

G. For Technical Employees identified under Paragraph 3A(2) of Section II, their indirect costs will be chargeable to the Joint Account based on the pro rata share of their labor costs which have been charged to the Joint Property. Technical indirect costs do not include functions such as: Human Resources, Accounting, Legal, Tax, Contract Administration, Materials/ Purchasing, Mainframe Computing, Internal Budgeting and Planning, Treasury, Building Services, other administrative services not normally part of a technical organization and other activities only for the benefit of the Operator. They are not recoverable under this provision as they are included in Section III.

(1) Reasonable compensation, including the salaries, wages, other compensation mechanism, costs pursuant to Section II.3B, employee benefits, and excluding overriding royalties paid on Subject Lands, and reasonable Personal Expenses of:

(a) Secretarial, clerical, and other non-technical employees typically assigned to a technical organization.

(b) Personnel above first level supervision up to and including the President or CEO.

(c) Technical Employees labor for training, related to employee's current job responsibilities.

(d) Technical Employees labor not charged to the Joint Account under Paragraph 3A(2) of this Section II, to the Operator as a 100% Operator function or other non-Joint Property direct charged operation.

(2) Relocation expenses of employees who remain on their original assignment, and for which expense employees are reimbursed under Operator's usual practice. To the extent the employee does not remain in their original assignment for two years, the Operator will credit the Joint Account 1/ 24 of the amount of the original charge to the Joint Account for each month short of two years. For employee relocations for temporary assignments of less than two years, no credit will be given to the Joint Account, provided the employee's assignment is completed.

(3) Incremental costs of training (such as travel, tuition, hotels and meals), related to employee's current job responsibilities and required to maintain professional certifications or enhance professional skills, or to comply with laws and regulations.

(4) Termination costs and benefits paid to Operator's employees whose compensation is chargeable to the Joint Account under Paragraph 3A(2) of this Section II. Such costs are chargeable based on the pro rata share of their labor costs which have been charged to the Joint Account during the previous twenty-four months.

(5) General expenses associated with technical organizations, such as those items listed in Paragraph 3F above.

4. Employee Benefits

A. Operator's cost of established plans for employee group life insurance, hospitalization, pension, retirement, stock purchase, thrift, and other benefit plans of a like nature applicable to Operator's labor cost chargeable to the Joint Account under Section II.3.A or Section II.3.G. Such costs may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of

labor chargeable, not to exceed the percent most recently recommended by COPAS.

B. Operator's cost of holiday, vacation, sickness, and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Section II.3.A or Section II.3.G. Such costs may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of labor chargeable under Section II.3.A or Section II.3.G.

C. If COPAS redefines components of Paragraphs 4A and 4B, components will be moved between Paragraphs 4A and 4B of this Section II. If "percentage assessment" is utilized such percentage will be based upon Operator's actual experience. The option utilized will be applied on a consistent basis.

5. Material

Material purchased or furnished by Operator for use in Joint Operations as provided under Section IV. So far as it is reasonably practical and consistent with efficient and economical operation, and bearing in mind the remote location and necessary supply arrangements, only such Material shall be purchased for or transferred to the Joint Property as may be required for conduct of the Joint Operations. The accumulation of surplus stocks shall be avoided. The cost of warehousing and handling Material shall be a direct charge to the Joint Account.

6. Transportation

Costs for labor, payroll burden costs pursuant to Section II.3B and employee benefits, Material, supplies, transportation, etc., incurred by the Operator in connection with the accumulating, packing, crating and preparing Material and Equipment for transshipment to ports for ocean movement or other movement to the Joint Property shall be a direct charge to the Joint Account as such costs are not considered as included in the Overhead provided in Section III. At the end of each calendar year, costs charged to the Joint Account will be adjusted by reallocating to all operations served using an annual allocation basis consistent with the original billing method if such reallocation would result in 10% or greater change in the charges to the Joint Account.

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like Material is normally available, unless agreed to by Approval of the Parties for a specific movement of Material.

If surplus Material is moved to the Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to the Operator unless agreed to by Approval of the Parties for a specific movement of Material.

The option to equalize or charge actual trucking cost is available when the actual charge is $400 or less excluding accessorial charges. The $400 will be adjusted to the amount most recently recommended by the COPAS.

7. Services

The costs of professional consultant services, contract labor/ services, Equipment and utilities provided by Third Party sources, including aircraft and watercraft leased or chartered by the Operator, for the benefit of the Joint Account other than services covered by Paragraph 10 of this Section II.

8. Equipment and Facilities Furnished by Operator

A. Operator shall charge the Joint Account for use of Operator-owned equipment (including aircraft), and facilities, excluding those covered under Paragraph 8C below, and routine laboratory services at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on unrecovered investment not to exceed the average annual interest rate charged to substantial and responsible commercial borrowers, by Citibank N.A., New York, New York during the prior year. Such rates shall not exceed Commercial Rates currently prevailing in the immediate area of the Joint Property. The Operator shall use its best efforts to inform the Participating Parties in advance of the rates it proposes to charge. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

B. In lieu of charges in Paragraph 8A above, the Operator may elect to use Commercial Rates prevailing in the immediate area of the Joint Property less 20%. Rates for laboratory services shall not exceed those currently prevailing if performed by outside service laboratories. Rates for trucks, tractors and well service units may include wages and associated burdens and expenses of the Operator, if excluded as a direct charge under Paragraphs 3 and 4 of this Section II. Excluded are major Facilities covered under Paragraph 8C of this Section II.

C. Operator shall charge the Joint Account for the use of Operator-owned facilities such as camps, warehouses, etc., at rates designed to recover the following elements of cost:

- Recovery of investment over the useful economic life.
- Operating expense including fixed costs such as property taxes.
- Insurance, actual or imputed.
- Interest on unrecovered investment not to exceed the average annual interest rate charged to substantial and responsible commercial borrowers, by Citibank N.A., New York, New York during the prior year.

D. Rates shall be revised and adjusted by the Operator when found to be either excessive or insufficient.

E. Since the proportionate costs of Operator's office building, located at 510 L Street, Suite 601, Anchorage, Alaska, 99501 supporting Joint Operations and Development activities are included in the overhead provided in Section III of the Accounting Procedure, the costs associated with this building are not includable as a direct charge. In the event Operator's place of business is moved from the 510 L Street, Suite 601, Anchorage, Alaska, 99501 office complex to another location, the Parties hereto shall agree upon a new definition to preserve the original intent of the Parties hereto.

F. Nothing in this Exhibit "I" shall obligate Operator to sell diesel or other refined hydrocarbon products from its refineries or treatment plants for less than Fair Market Value.

9. Damages and Losses to the Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Participating Party(s) written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator. Any insurance received from Third Parties due the Joint Account shall be credited to the Joint Account.

10. Legal

Expense of title examinations, handling, investigating and settling litigation or claims, payment of judgments and amounts paid for settlement of claims incurred in or resulting from Operations under the Agreement or necessary to protect or recover the Joint Property, including, but not limited to, attorney's fees, court costs, cost of investigation or proving evidence and amounts paid in settlement of satisfaction of any litigation or claim, except that no charge for services of Operator's legal staff, or fees or expense of outside attorneys in excess of $50,000 per legal matter shall be made unless previously agreed to by all parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by Approval of the Parties for a specific legal matter.

11. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Joint Operations. If the ad valorem taxes are based in whole or in part upon separate valuations of each Party's Working Interest, then notwithstanding anything to the contrary herein, charges to the Joint Account shall be made and paid by the Parties hereto in accordance with the tax value generated by each Party's Working Interest.

12. Insurance

Net premiums paid for insurance required to be carried for the Joint Property for the protection of the Parties. In the event Joint Operations are conducted in a jurisdiction in which the Operator may act as a self-insurer for

Worker's Compensation and/ or Employer's Liability under the respective jurisdiction's laws and/ or regulations, Operator may, at its election, include the risk under its self-insurance program in providing coverage under the state and federal laws and charge the Joint Account at Operator's cost not to exceed the manual rates as prescribed by the jurisdiction where the services are performed.

13. Communication, Field Automation, Field Data Gathering, and Other Joint Property-Unique Dedicated Computer Systems

Costs of acquiring, leasing, installing, operating, repairing, and maintaining such systems, which shall also include the cost of long lines, microwave or satellite channels, from the Joint Property to the Operator's offices and/ or other North Slope facilities for the benefit of the Joint Account. In the event any communication facility/ system, field automation, data gathering system, or other system owned by the Joint Account is used for any benefit other than the Joint Account, the recipient of the usage will be charged for such usage by the Operator in accordance with the methodology described in Section II.8 (Equipment and Facilities Furnished by Operator) with credit being provided to the Joint Account.

14. Permits and Rights-of-Way

Such permits, rights-of-way, fees, and other costs as may be incurred in connection with their acquisition and any applicable expenses incident to their acquisition for the Joint Property.

15. Abandonment and Reclamation

Costs paid for abandonment and/ or reclamation of the Joint Property, including costs required by governmental or any other authority.

16. Geological and Geophysical Contractor Charges

All charges of the contractor having the prime responsibility for conducting geological and Geophysical Operations under the general direction and supervision of the Operator. Such charges shall include but are not limited to seismic surveys, gravity meter surveys, geological surveys and other such services. Such charges will require an AFE.

17. Construction Contractor Charges

All charges of the contractor and/ or subcontractor(s), excluding Affiliates of Operator, having the responsibility for constructing, situating, and commissioning the Joint Property under the general direction and supervision of the Operator. Such charges shall include but are not limited to design, fabrication and material costs, engineering, contractors' fees and other compensations, assembly and testing, and transportation to the Joint Property. It is understood that retentions shall not be billed to the Joint Account until paid.

18. Operator's Construction Office(s) and Related Facilities

The cost of operating and maintaining construction office(s) and necessary sub-offices of the Operator, including but not limited to supervision, secretarial, stenographic, logistics, cost control, Material acquisition and control, contract administration and accounting functions, are chargeable to facilities being constructed and operations being served.

19. Research and Development Projects

A. Cost of Research and Development projects conducted for the benefit of the Joint Property except that no charge shall be made unless previously agreed to by Approval of the Parties. Overhead for approved projects shall not exceed 100% of technical labor costs plus benefits and government assessments as defined in Section II.3(B) and Section II.4 unless otherwise agreed to by Approval of the Parties for a specific project.

B. Examples of activities that typically would be included in Research and Development

1. Laboratory research aimed at discovery of new knowledge.
2. Developing new applications for new research findings or other knowledge.

C. Examples of activities that typically would be excluded from Research and Development

1. Engineering follow-through in an early phase of commercial production.

2. Quality control during commercial production including routine testing of products.

3. Trouble shooting in connection with breakdowns during commercial production.

4. Routine on-going efforts to refine, enrich, or otherwise improve upon the qualities of an existing product.

5. Activity, including design and construction engineering related to the construction, relocation, rearrangement, or start-up of Facilities or Equipment.

6. Engineering activity required to advance the design of a process to the point that it meets specific functional and economic requirements and is ready for manufacture.

7. Design, construction, and testing of pre-production prototypes and models.

8. Design, instruction, and operation of pilot plants or processes on projects.

9. Adaptation of an existing capability to a particular requirement of customer's need as part of a continuing commercial activity.

10. Seasonal or other periodic design changes to existing products.

20. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II or Section III, which is incurred by the Operator for the necessary and proper conduct of the Joint Operations and which is of direct benefit to the Joint Operations.

III. OVERHEAD

1. Prior to an Approved Proposal to Develop

As compensation to Operator for indirect costs incurred after the Effective Date of this Agreement and prior to the first day of the month following Approval of the Parties of a Proposal to Develop, a charge of two and one-half

percent (2-1/ 2%) of Joint Property direct charges, exclusive of all salvage credits, shall be made to cover any portion of the compensation or salaries, applicable payroll burden, employee benefits and other expenses of management, supervisory, administrative, clerical and other employees not otherwise chargeable under Section II and incurred by the Operator in Operations serving the Joint Property. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the overhead assessment unless the specific cost and expenses receive Approval of the Parties as a direct charge to the Joint Account.

2. Following an Approved Proposal to Develop

As compensation to Operator for indirect costs incurred after Approval of the Parties to a Proposal to Develop, the Joint Account shall be charged an Annual Support Fee (or pro rata portion thereof in the year of approval) in accordance with this Section III.2.

A. **Calculation.** Annual Support Fee shall be calculated as follows:

(1) Effective on the first day of the month following Approval of the Parties and continuing until the first day of the month in which there is sustained commercial production:

Annual Support Fee = 0.015 x Subject Year Capital Expenditures

(2) Thereafter: The Parties shall negotiate the O&M Coefficient and the Capital Expenditure Coefficient for the Annual Support Fee Formula. For the period until agreement is reached or arbitration final, the coefficients shown in the following formula shall be used on an interim basis subject to final adjustment provided in Section III 2. The Parties agree the coefficients shown do not reflect the actual coefficients desired by any Party and shall not be used as a standard in any arbitration.

Annual Support Fee = (0.10 x SYOE) + (.025 x SYCE)

Prior to commencement of sustained production of Unitized Substances in Paying Quantities ("First Production"), the Parties agree to pursue the negotiation of a methodology to replace the Annual Support Fee formula specified in this Subparagraph

III.2.A.(2). Such replacement methodology shall become effective upon Approval of the Parties owning an eighty-five percent (85%) interest. The Parties intend that any replacement methodology should be clear, easy to administer, and should fairly allocate the actual costs spent by the Operator in supporting the Unit Operations. Operator shall commence the foregoing negotiation process such that a resolution of this issue is reasonably expected to be achieved no later than thirty (30) days prior to the date of First Production.

B. **Definitions.**

(1) **Annual Support Fee** shall mean reimbursement to Operator for all costs incurred, but not recovered under Section II.

(2) **Subject Year Capital Expenditures (SYCE)** shall mean costs which are capitalized under Generally Accepted Accounting Principals and billed to the Joint Account during the subject year, excluding costs billed under Section II.3(A)(5), Section II.3(G), Section II.19, and Section II.20

(3) **Subject Year Operating and Maintenance Expenditures (SYOME)** shall mean Direct Charges related to ongoing operating and maintenance activities that cannot be defined as capital, billed to the Joint Account during the subject year, excluding: 1) Annual Support Fee charges, and 2) amounts billed under Section II.3(A)(5), Section II.3(G), Section II.19, and Section II.20.

(4) **O&M Coefficient** shall mean the number by which the Subject Year Operating and Maintenance Expenditures is multiplied in the formula specified in Section III.2A above.

(5) **Capital Expenditure Coefficient** shall mean the number by which the Subject Year Capital Expenditures is multiplied in the formula specified in Section III.2A.

C. **Joint Interest Billing.** Prior to January 31 of each year, beginning in the year following Approval by the Parties of a Proposal to Develop, Operator shall calculate an estimated Annual Support Fee for that year based on the approved Original Budget for the subject year. The Annual Support Fee will be divided into twelve equal monthly amounts which will be added to the Working

Interest Owners' monthly statement. For the subject year in which a Proposal to Develop is approved by the Parties, Operator shall determine the monthly billing amount for the appropriate number of months based on spending estimates consistent with the Proposal to Develop.

On or before March 31 of the year following the subject year Operator shall calculate the Annual Support Fee based upon actual Subject Year Capital Expenditures and actual Subject Year Operating and Maintenance Expenditures. An adjustment for the difference between the estimated and actual Annual Support Fee will be booked in April.

D. **Determination of Annual Support Fee Variables.** The Capital Expenditure Coefficient and O&M Coefficient shall be determined as follows:

(1) A Participating Party, with a minimum of ten percent (10%) of the Working Interest, or the Operator, may request a prospective revision of the Capital Expenditure Coefficient and O&M Coefficient effective on the first day of the thirty-seventh month following approval of a Proposal to Develop and the first day of the month following sustained commercial Production of Unitized Substances and at three year intervals thereafter (hereinafter "Adjustment Date[s]"); provided, however, that the coefficients specified in Section III.2A(1) or Section III.2A(2), as applicable, shall be used in the event that no revision is requested, or until such time as an revised coefficients are established through negotiations or arbitration.

(2) On or before June 30 of the year prior to an Adjustment Date, the Capital Expenditure Coefficient and O&M Coefficient for the following three or five years shall be agreed to by obtaining Approval of the Parties owning an eighty five percent (85%) interest. The revised coefficients shall be prospective. Each Party shall bear its own costs and attorney fees in determining such coefficients.

(3) If an affirmative vote is not obtained in accordance with Subparagraph (2) above, the Parties shall thereupon submit the matter to a panel of umpires for a binding determination of the Capital Expenditure Coefficient and the O&M Coefficient in accordance with the procedures specified in Subparagraphs (4)(a) through (4)(j) below.

(4) **Arbitration**

For purposes of this Accounting Procedure only:

(a) **Arbitration Parties.** There shall be two "parties" to the umpire arbitration proceedings: (1) the Operator and agreeing Participating Parties other than the Operator; and (2) the Participating Parties other than the Operator not agreeing.

(b) **Purpose.** The sole purpose of the umpire arbitration proceedings shall be to determine the Capital Expenditure Coefficient and the O&M Coefficient, which will compensate Operator for indirect costs covered by the Annual Support Fee and incurred during the applicable three or five year period. In reaching this determination the umpires shall consider only the Joint Property historical costs and projected future costs covered by the Annual Support Fee. The Operator shall determine and perform services necessary to conduct Operations as defined in Article 3 of the Agreement, in a good and workmanlike manner as would a prudent operator under the same or similar circumstances. Therefore, the functions (e.g. reservoir engineering, facility engineering, geology, etc.) established by the Operator in performing services for the conduct of Operations shall not constitute an issue subject to binding determination hereunder. Selection of employees used in conducting Operations and their hours of labor and compensation shall be determined by Operator and shall not be an issue subject to the binding arbitration.

(c) **Selection of Administrator.** Prior to July 31 of the applicable year, the Working Interest Owners shall select an Administrator by obtaining approval of the parties to the umpire arbitration proceedings. If prior to July 31, the Working Interest Owners fail to appoint a lawyer or firm of lawyers to serve as Administrator, then prior to August 10, the Operator shall request the President of the American Arbitration Association to appoint at his sole discretion a lawyer or firm of lawyers as Administrator.

(d) **Selection of Panel.** Prior to August 31 of the applicable year, the Arbitration Parties shall obtain from the American Arbitration Association a list of seven (7) neutral persons qualified and available to serve as an umpire for a determination of the Capital Expenditure Coefficient and the O&M Coefficient to compensate Operator for indirect costs covered by the Annual Support Fee for the relevant three year period. Persons employed by or having a direct or indirect financial relationship with any of the Working Interest Owners shall not be qualified to serve as umpire candidates. The Arbitration Parties shall select a Panel of three umpires (the "Panel") by September 15 of the applicable year. The Operator shall be entitled to strike two names from the list of umpire candidates and the non-agreeing Participating Parties shall be entitled to strike two names. The names shall be stricken in rotation, with the Operator having the first strike. When the three umpires are selected, the Administrator shall thereupon notify the umpires and arrange for a hearing before the Panel within seventy-five (75) days at a mutually acceptable location in Alaska.

(e) **Proposed Variables.** Forty-five days prior to the date scheduled for the hearing, both Arbitration Parties shall each submit to the Administrator in a sealed envelope its proposed Capital Expenditure Coefficient and O&M Coefficient. Forty days prior to the date scheduled for the hearing, the Administrator shall publish the contents of each of the two envelopes and provide each Arbitration Party with copies of the contents of each of the two envelopes. The Arbitration Parties may not amend their proposals after they have been published by the Administrator.

(f) **Prehearing Statements.** Thirty days prior to the date of the hearing, each Arbitration Party shall file with the Administrator and copy the other Arbitration Party with a prehearing statement summarizing briefly the testimony and evidence to be presented, identifying the witnesses to be called and exhibiting all documents which are relied upon. Either Arbitration Party shall be entitled to amend its pre-hearing statements once without leave of the Panel provided that in no event shall a

prehearing statement be amended or added to within fifteen days of the date set for the final hearing without leave of the Panel.

(g) **Hearing.** At the hearing, each Arbitration Party may offer such evidence as they desire. However, evidence offered by a Arbitration Party that has not been reasonably identified in its filed prehearing statement as amended shall be excluded, unless the Panel in its discretion, either upon the application of a Arbitration Party or on its own motion, decides otherwise. Each Party shall be entitled to cross-examine witnesses of the other Arbitration Party and to provide rebuttal evidence. The Panel shall be the sole judge of the compliance with these rules, the relevancy and admissibility of all evidence, and the procedures to be followed at the hearing. Other than the obligations to provide information set forth in this Agreement, neither the Panel nor the Arbitration Parties shall have any right at any time to obtain discovery of any other Arbitration Party, its servants or agents. When the Arbitration Parties have given their evidence and made their closing statements the Panel shall declare the hearing closed and the time limit within which the Panel is required to make its decision shall commence to run, in absence of agreement by both Arbitration Parties, from the date of closing the hearing.

(h) **Findings.** Within thirty business days after the closing of the hearing, the Panel shall enter its findings in writing and submit it to the Arbitration Parties. In making its findings, the Panel is limited to the proposals submitted by each of the two Arbitration Parties pursuant to subparagraph (e) above. The Panel must select either the Operator's proposal in its entirety or the non-agreeing Participating Parties' proposal in its entirety. The final selection of the Panel shall be made by a majority vote of the umpires. The final selection shall be signed by each member of the Panel and shall indicate whether each umpire does or does not support said selection.

(i) **Costs and Fees.** The costs of the umpire proceedings shall be borne equally by the Arbitration Parties. Each Arbitration Party

group will share its half of the cost of the umpire proceedings based on the ratio of Participating Interests. Each Arbitration Party shall bear its own costs and attorney fees for arbitration.

(j) **Inspection of Documents.** By March 1 of each year, commencing with 2006, Operator shall make the documents identified in III.2(D)(5) available for the inspection of the Participating Parties. Two years prior to each Adjustment Date, the Participating Parties may have reasonable access to Operator's records concerning Operator's costs covered by the Annual Support Fee.

(5) **Data Provided Annually**

To enable Participating Parties to reasonably estimate the Annual Support Fee using a knowledge base comparable to that of the Operator, the Participating Parties will be provided the same information used by the Operator in estimating the Annual Support Fee. It is understood that such information will necessarily exclude proprietary data, trade secrets, and other competitive information, and will be formatted to maintain the confidentiality of compensation and other personnel data pertaining to individual employees. Consistent with the foregoing, the data elements Operator will provide by March 1 of each year, beginning in 2006 are as follows:

(a) The prior year's organization budgets for the following Operator organizations covered by the Annual Support Fee: Accounting, Human Resources, Legal, Tax, Purchasing, Materials, Telecommunications, Information Systems, Contracts, Air Transportation, Media Services and the Planning and Analysis and Policy and Internal Control Group. The budget format to be accounted for and controlled by Operator for internal purposes.

(b) Actual expenditures against the organizational budgets included in (a) above, and actual expenditures against the organizational budgets of off-site technical labor.

(c) With respect to Operator's Executive Management, Legal Department, Tax Department, and Human Relations

Department, an estimate of the prior year's expenditures covered by the Annual Support Fee and the prior years total expenditures incurred by these departments including the methodology and calculation used to determine these estimates. Organization charts for these departments shall be provided with these estimates.

(d) Time sheets, or in the event time sheets are not prepared, other data by organization indicating the level with relevant description of support provided to the Joint Operations. A list of Annual Support Fee services and costs to Operator for services performed by Affiliates.

(e) Building operating expenses for the prior year for Operator's Anchorage Office complex by expense category as accumulated for internal analysis.

(f) Average square footage per employee, total common area square footage, and total building square footage for Operator's Anchorage office complex.

(g) On an annual basis, Operator's organization charts depicting organizations providing support to the Joint Operations. (Anchorage and on-site Joint Property) as prepared by Operator for internal purposes.

(h) Joint Property computing charges by department, if not included in the organizational budget in (a) - (c) above, as well as the internal charge rates.

(i) Support for any other costs incurred and included in the determination of the Annual Support Fee.

(6) The prevailing Arbitration Party's Capital Expenditure Coefficient, and O&M Coefficient shall be effective on the Adjustment Date. In the event the Panel's selection does not occur until after the Adjustment Date, Working Interest Owners will continue to be allocated their Participating Interest share of the Annual Support Fee based upon the Capital Expenditure Coefficient and O&M Coefficient in effect prior to the Adjustment Date; provided,

however, that in the month following the umpire's selection, an adjustment shall be booked to reflect the difference between the amount actually allocated and the amount which should have been allocated based upon the adjusted Capital Expenditure Coefficient, and O&M Coefficient.

E. **No Audit Claim Rights.** In regard to the Annual Support Fee, audit claim rights of the Non Operators are limited to the Subject Year Capital Expenditures and Subject Year Operating and Maintenance Expenditures and their impact on the Annual Support Fee.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Subject to the further provisions of this Section IV, Operator shall procure all Materials and Services for use on the Joint Property. At the Operator's option, such Materials and services may be supplied by the other Participating Parties.

1. Purchases

Material purchased and services procured for the Joint Account shall be charged at the price paid by Operator after deduction of all discounts received. In the case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Material Transferred Within the Joint Operations

Material transferred to or from the Joint Operation warehouse shall be priced at average warehouse stock prices. Transfers between cost centers in the Joint Operations will be priced at current condition value using average warehouse stock prices if available. If not available Operator will use a reasonable approximation of average warehouse stock price.

3. Transfers to the Joint Account

A. Material furnished to the Joint Property unless otherwise agreed to by Approval of the Parties as to the specific materials being transferred, shall be priced on current replacement cost, adjusted for current material condition as specified in Section IV.3.B(1) and Section IV.3.B(2), exclusive of cash discounts which shall include but not be limited to, Material cost, transportation, transshipment preparation costs, labor and other costs associated with getting the Material FOB to the Joint Property.

B. Material required for operation shall be purchased for direct charge to the Joint Account whenever practical however due to the remote location of the Joint Operations under circumstances where it is most practical for Operator to furnish Materials from Operator's warehouse or other properties in the State of Alaska, Canada, or in the continental United States, such Material movements are subject to the conditions in subparagraph (1) and (2) below, except that the pricing and transportation origination point of such Material shall be provided under this Section IV, FOB a reputable Supplier or railway receiving point nearest the Joint Property.

(1) New Material (Condition ~A~)

(a) Tubular goods shall be priced at the current replacement cost in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price FOB railway receiving point or recognized barge terminal nearest the Joint Property.

(b) Other Material shall be priced at the current replacement cost of the same kind of Material, (in effect at the date of movement) and FOB a reliable supply store or railway receiving point nearest the Joint Property where Material of the same kind is normally available.

(c) The Joint Account shall not be credited with cash discounts applicable to prices provided for in this paragraph 3(B) of Section IV.

(2) **Used Material Condition (~B~ and ~C~)**

(a) Material in sound and serviceable condition and suitable for reuse without reconditioning, shall be classified as Condition ~B~ and priced at seventy-five percent (75%) of the current replacement cost of new Material.

(b) Material which is not suitable for its original function until after reconditioning shall be transferred under one of the two methods defined below:

(i) Classified as Condition ~B~ and priced at seventy-five percent (75%) of the current replacement cost of new Material. The cost of reconditioning shall be absorbed by the transferor.

(ii) Classified as Condition ~C~ and priced at fifty percent (50%) of current replacement cost of new Material. The cost of reconditioning also shall be charged to the transferee, provided Condition ~C~ value, plus cost of reconditioning does not exceed Condition ~B~ value. Condition ~C~ Material should be transferred to the Joint Operations only for immediate use after reconditioning.

C. Pricing Condition

(1) Loading, unloading and inspection costs may be charged to the Joint Account.

(2) Material involving erection costs shall be charged at applicable percentage of the knocked-down current replacement cost of new Material.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. DISPOSAL OF SURPLUS MATERIAL

The Operator may purchase but shall be under no obligation to purchase, interest of the other Participating Parties in surplus Condition ~A~ or ~B~ Material. The disposition of surplus Controllable Material, not purchased by Operator, shall be agreed to by Operator and the other Participating Parties, provided the Operator may, without prior notification, dispose of surplus Material where the estimated per lot disposition value is less than $500,000 or other amount as may be agreed to by Working Interest Owners from time to time. The Operator shall dispose of normal accumulations of junk and scrap Material either by transfer or sale from Joint Property.

1. Material Purchased by the Operator or Other Participating Parties

Material purchased by either the Operator or other Participating Parties shall be credited by the Operator to the Joint Account in the month in which the Material is removed by the purchaser.

2. Division in Kind

Division of Material in kind, if made between Operator and the other Participating Parties, shall be in proportion to the respective interests in such Material. The Parties will thereupon be charged individually with the value of the Material received or receivable. Proper credits shall be made by the Operator to the Joint Account.

3. Sales to Outsiders

Sales to outsiders of material from the Joint Property shall be credited by Operator to the Joint Account at the net amount collected by Operator from vendee. Any claim by vendee related to such sale shall be charged back to the Joint Account if and when paid by Operator.

VI. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

Material purchased by either Operator or other Participating Parties or divided in kind, unless agreed to by Approval of the Parties for a specific transfer, shall be priced on the following basis:

1. **New Price Defined**

New Price as used in this Section VI shall be the price specified by new Material in Section IV.

2. **New Material**

New Material (Condition ~A~), being new Material procured for the Joint Property but never used, at one hundred percent (100%) of current price (plus sales tax if any).

3. **Good Used Material**

Good Used Material (Condition ~B~), being used Material in sound and serviceable condition, suitable for reuse without reconditioning:

A. At seventy-five percent (75%) of current new price if Material was charged to Joint Account as new, or

B. At sixty-five percent (65%) of current new price if Material was originally charged to the Joint Account as secondhand at seventy-five percent (75%) of new price. Any Material contributed to the unit on the date of unitization will be considered as new Material.

4. **Other Used Material**

Used Material (Condition ~C~) at fifty percent (50%) of current new price being used Material which is not in sound and serviceable condition but suitable for reuse after reconditioning.

5. **Bad-Order Material**

Material (Condition ~D~) no longer suitable for its original purpose without excessive repair cost but usable for some other purpose at price comparable with that of items normally used for such purpose.

6. **Junk Material**

Junk Material (Condition ~E~) being obsolete and scrap Material, at prevailing prices.

7. Temporarily Used Material

When the use of Material is temporary and its service to the Joint Property does not justify the reduction in price as provided for in Paragraph 3B of this Section VI such Material shall be priced on a basis that will leave a net charge to the Joint Account consistent with the value of the services rendered.

8. Obsolete Material

Obsolete Material or Material which cannot be classified as Condition ~B~ or Condition ~C~ shall be priced at a value commensurate with its use. Material no longer suitable for its original purpose but usable for some other purpose shall be priced on a basis comparable with that of items normally used for such other purposes.

VII. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories Notice and Representation

At reasonable intervals, at a minimum of every other year, Inventories shall be taken by Operator of the Joint Account Controllable and Warehouse Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that the Participating Parties may be represented when any inventory is taken. Failure of the other Participating Parties to be represented at any inventory shall bind the Participating Parties to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Reconciliation of a physical inventory with the Joint Account shall be made and a list of overages and shortages shall be furnished to the Participating Parties following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages but Operator shall be held accountable to the Participating Parties for shortages due to lack of reasonable diligence.

3. Special Inventories

Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property.

It shall be the duty of the Party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases both the seller and the purchaser shall be governed by and bear the cost of such inventory. Such inventory shall not be binding on other Working Interest Owners.

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by Approval of the Parties for a specific inventory.

VIII. INFLATION EQUIVALENT

1. Posted Prime Rates for Calculating Inflation Equivalent

Rates used for the calculation of Inflation Equivalent are the Citibank NA, posted prime rate on the first calendar day of each month as published by Citibank NA.

2. Procedures for Calculating Inflation Equivalent

The monthly Inflation Equivalent will be calculated by the following formula and added to the relevant sums as of the last day of each month. The calculation will be carried out to eight decimal places:

$$IE_m = \frac{BR_m \times (\text{Relevant Sum})}{12 \times 100}$$

IE_m = Monthly Inflation Equivalent for the current calculation period.

BR_m = Annual posted prime rate in effect on the first calendar day of the month as published by Citibank, NA, New York, New York.

The relevant sum is the existing amount on the last day of the month for which Inflation Equivalent is to be calculated in each case for the following costs:

A. **Pre-Unitization Costs Category:** Cumulative costs as agreed by the Parties plus all previously calculated Inflation Equivalent.

B. **Cumulative Total Costs Category:** Pre-Unitization Costs plus cumulative Expense excluding Inflation Equivalent after the time and date this Agreement becomes effective (hereinafter "Effective Date") and all previously calculated Inflation Equivalent on the relevant sum from the Effective Date to the date that redeterminations, changes to Participating Areas, receipt of actual Pre-Unitization Costs, or audit adjustments are effective (hereinafter "Modification Date").

C. **Over- or Under-Invested Position Balances Category:** The amount of over- or under-investment of each Working Interest Owner.

3. **Dates to be used for Inflation Equivalent Calculation**

The following dates will be used when calculating Inflation Equivalent for specific types of transactions:

A. **Cash Payment** — Inflation Equivalent shall be calculated commencing the first day of the month following the booking date. If charged to a suspense or clearing account, the clearing transaction shall carry the original booking date, not the delayed booking date.

B. **Material Transfers** — Prior to unitization, for material transfers, Inflation Equivalent shall be calculated beginning in the month in which the transfers were booked, provided the booking was within the next following accounting month from the date of movement; otherwise, the actual date of transfer will be used.

C. **Allocations** — Allocations shall carry the original entry's booking date for Inflation Equivalent as calculated in 3.A above in order to properly spread Inflation Equivalent to follow the allocated dollars.

D. **Booking Date** — Booking date is defined as the month and year the invoice or material transfer is recorded in the accounting system. The booking month will extend five work days into the following month.

E. **Pre-Unitization Costs** — are Unit Expenditures incurred up to the Effective Date and Inflation Equivalent calculated on said Unit

Expenditures each month from the time such Unit Expenditures were incurred.

IX. Loaned Employees

1. Assignment

By mutual agreement of Operator and a Participating Party, a Participating Party may provide an employee on a loan assignment, hereinafter call "Loaned Employee," to Operator for the Joint Property Conceptual Engineering Study Team, construction office or sub-office, off-site technical organization, on-site technical organization, or other Joint Operations. Mutual assent shall be documented via letter agreement.

2. Direct Charges

A Participating Party shall bill Operator for direct costs of Loaned Employees as follows:

A. Reasonable compensation, including salaries and wages earned, other compensation mechanism (other compensation mechanisms will not include any Lease Burden arrangement), or compensatory time off.

B. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to the Participating Party's labor cost of salaries and wages chargeable to the Joint Account under Paragraph 2.A of this Section IX.

C. Relocation expenses of Loaned Employees for which expense employees are reimbursed under Operator's usual practice. To the extent a Loaned Employee does not remain in his or her original assignment for two years, the Participating Party will issue a credit to Operator for 1/ 24 of the amount of the original charge to Operator for each month short of two years. For Loaned Employee relocations for temporary assignments of less than two years, no credit will be given to the Operator, provided the Loaned Employee's assignment is completed.

D. Employee benefit costs consistent with provisions of Paragraphs 4.A and 4.B of Section II.

E. Termination costs and benefits paid to the Participating Party's employees whose compensation is chargeable to the Joint Account under Paragraphs 2A of this Section IX. Severance payments based on length of service will be apportioned based on the ratio of Loaned Employee service to total length of service as a Participating Party employee.

F. Labor and incremental costs of training, related to employee's current job responsibilities and required to maintain professional certifications or enhance professional skills, or to comply with laws and regulations for those employees whose compensation is chargeable to the Joint Account under Paragraphs 3A(1) and 3A(3), of Section II.

3. Overhead for Loaned Employees

The Participating Party shall charge Operator for administrative overhead at the rate of 5% on chargeable items listed in Paragraph 2 of this Section IX.

4. Billing

The Participating Party shall bill Operator on or before the last day of each month for direct charges for Loaned Employees and associated administrative overhead for the preceding month. Such bills will be accompanied by statements which identify all charges and credits summarized by appropriate classifications.

5. Payments

Within 15 days of receipt of a bill for a Loaned Employee, Operator shall pay the Participating Party the amount due thereon.

6. Audits and Accounting Adjustments

Operator shall have the right to audit and the Participating Party shall have the right to adjust billings in accordance with the provisions of Paragraphs 5 and 6 of Section I.

EXHIBIT "J"

Attached to the Areawide AMI Joint Operating Agreement, dated effective 16th day of September, 2008, by and among Brooks Range Petroleum Corporation, as Operator, and AVCG, LLC, TG World Energy, Inc., Ramshorn Investments, Inc., Bow Valley Alaska Corporation, as Non-Operators

EQUAL EMPLOYMENT OPPORTUNITY

To the extent applicable and in connection with the performance of work hereunder, Contractor agrees to comply with the following Equal Employment Opportunity and/or Affirmative Action requirements and all other similar requirements as the same are enacted and become applicable to this Contract:

(i) Section 202 of Executive Order 11246, as amended by Executive Order 11375, relating to equal employment opportunities, the implementing rules and regulations of the Secretary of Labor and all contract clauses and requirements which are applicable and set forth therein are incorporated herein by specific reference. In particular, Contractor hereby certifies that it does not maintain segregated facilities. In making this certification Contractor incorporates each and all of the provisions of the approved form of certification contained in 41 C.F.R. Section 60-1.8(b) the same as if such provision were fully set forth herein and signed by Contractor.

(ii) Section 503 and 504 of the Rehabilitation Act of 1973 and Title IV of the Vietnam Era Veterans Readjustment Assistant Act of 1974 relating to employment and advancement in employment of qualified handicapped individuals, disabled veterans and veterans of the Vietnam era, the implementing rules and regulations of the Secretary of Labor and all contract clauses and requirements which are applicable and set forth therein are incorporated herein by specific reference pursuant to 41 C.F.R. Section 60-741.22 and 41 C.F.R. Section 60-250.22.

EXHIBIT "K"

Attached to the Areawide AMI Joint Operating Agreement, dated effective 16th day of September, 2008, by and among Brooks Range Petroleum Corporation, as Operator, and AVCG, LLC, TG World Energy, Inc., Ramshorn Investments, Inc., Bow Valley Alaska Corporation, as Non-Operators

TAX PARTNERSHIP AGREEMENT

SECTION 1
GENERAL PROVISIONS

1.1 Tax Partnership Status. The Parties to the arrangement evidenced by this Agreement recognize that the arrangement between them results in a partnership for federal and state income tax purposes and the Parties hereto agree not to elect to be, or have the arrangement excluded from the application of all or any part of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1986, as amended (the "Code") and/or any similar provisions of applicable state laws.

1.2 Relationship of Parties. Notwithstanding any other provision of the Areawide AMI Joint Operating Agreement (Operating Agreement), expressed or implied, to the contrary, it is understood and agreed that the legal relationship of the Parties to each other with respect to all the property subject hereto is one of tenants in common or undivided interest owners or lessee-sublessee, and that the liabilities of the Parties hereto shall be several, not joint or collective, and each Party shall be responsible only for its own obligations. Except for the tax partnership provided for herein, it is not the purpose or intention of the Parties to create by this Agreement any mining, commercial, or other partnership.

1.3 Name. The name of the tax partnership created by this Agreement shall be named as the Areawide AMI Tax Partnership (hereinafter referred to as the "Partnership").

1.4. Term. The first day of the calendar year in which there is disproportionate spending which causes the Parties to enter into a tax partnership pursuant to the terms of the Operating Agreement shall be the effective date of this Agreement, and the Partnership shall continue in full force and effect from and after such date until terminated.

1.5 Priority Provision. In the event of a conflict or inconsistency, whether it be direct or indirect, between the terms and conditions of this Partnership and the terms and conditions of the Operating Agreement or any other Exhibit attached thereto, the terms and conditions of this Partnership shall govern and control.

1.6 Definition. For purposes of this Exhibit:

(a) "Operator" hereunder is Brooks Range Petroleum Corporation.

(b) "Subject Lease" hereunder is all the Parties interests in the oil and gas leases listed in Exhibit "A" of that certain Operating Agreement.

1.7 Contributions to Partnership.

(a) Property and cash which under any of the provisions of the Operating Agreement and Exhibits are deemed contributed to the Partnership will be treated and referred to in this Exhibit "K" as though actually contributed to, held and owned by the Partnership, regardless of the manner in which title and ownership is actually held;

(b) Unless a smaller interest is specified in this Agreement, the entire interest of each Party in the Subject Lands or any other property subject to this Agreement will be deemed contributed to the Partnership on the date that interest becomes subject to this Agreement;

(c) Subject to subparagraph (d) below, a Party will be deemed to contribute cash to the Partnership if that Party pays or incurs a fixed obligation to pay a cost, expense or other liability to any person, if that payment or obligation is on behalf of or in furtherance of the Partnership operations or is otherwise pursuant to an obligation under this Agreement;

(d) Where a Party contributes (or would be deemed to contribute) cash to the Partnership which is used to acquire property, the property will be treated as having been purchased by that Party and then contributed to the Partnership at the time the Partnership acquires that property, but the amount of cash otherwise deemed contributed by that Party under subparagraph (c) above will be reduced by the cost of that property to avoid a double credit to that Party;

(e) The Parties intend that each Party's respective contributions to the Partnership (i) will be strictly traced to, identified with and maintained in each item of Partnership property and of Partnership expense directly related to that Party's contributions and (ii) will not be affected, with respect to any item of Partnership property and of Partnership expense, by the respective contributions made by other Parties to effectuate equalization and/or other adjustments; if any, made pursuant to this Agreement.

SECTION 2
PARTNERSHIP CAPITAL ACCOUNTS

2.1 Partnership Capital Accounts. A separate Fair Market Value (FMV) capital account will be established and maintained for each Party and will be, from time to time, increased and decreased as follows:

(a) The FMV capital accounts shall be increased by: (i) the amount of money and the fair market value of any property contributed by each Party respectively, to the Partnership (net of liabilities assumed by the Partnership or to which the contributed property is subject); (ii) that Party's allocated share of Partnership income and gain or items thereof under Subsections 2.2; and, (iii) that Party's share of Code section 705(a)(1)(B) and (C) items.

(b) The FMV capital accounts shall be decreased by: (1) the amount of money and the fair market value of property distributed to each Party (net of liabilities assumed by such Party or to which the property is subject); (ii) that Party's allocated share of Partnership loss and deductions, or items thereof under Subsections 2.2; and, (iii) that Party's share of Code section 705(a)(2)(B) items and Code section 709 nondeductible and non-amortizable items.

2.2 FMV Capital Account Allocations. Each item of income, gain, loss or deduction shall be allocated to each Party as follows:

(a) Actual or deemed income from the sale, exchange, distribution or other disposition of Unitized Substances shall be allocated to the Party entitled to such Unitized Substances or the proceeds from the sale of such Unitized Substances. In the event that deemed income arising from the in-kind distribution of Unitized Substances equals the fair market value of the Unitized Substances distributed to a Party, the Party recognizes that the corresponding adjustments would be a net zero adjustment and, accordingly, may be omitted from the FMV capital accounts;

(b) Exploration cost, IDC, and operating and maintenance cost shall be allocated to each Party in accordance with its respective contribution to such cost;

(c) Depreciation shall be allocated to each Party in accordance with its contribution to the FMV capital account adjusted basis of the underlying asset;

(d) Simulated depletion shall be allocated to each Party in accordance with its FMV capital account adjusted basis in each oil and gas property;

(e) Loss (or simulated loss) upon the sale, exchange, distribution, abandonment or other disposition of depreciable or depletable property, shall be allocated to the Parties in the same ratio as their respective FMV capital account adjusted basis in the depreciable or depletable property;

(f) Gain (or simulated gain) upon the sale, exchange, distribution or other disposition of depreciable or depletable property shall be allocated to the Parties so that the FMV capital account balances of the Parties with respect to such property will most closely reflect their respective interests under the Operating Agreement;

(g) Costs or expenses of any other kind shall be allocated to and accounted for by each Party in accordance with its respective contribution to such costs or expenses; and,

(h) Any other income item shall be allocated to the Parties in accordance with the allocation of the realization.

SECTION 3
TAX RETURNS AND TAX BASIS
CAPITAL ACCOUNT ALLOCATIONS

3.1 Intent of the Parties. The Parties intend that the allocation of income, gain, losses, deductions and credits set out in Section 3 of this Exhibit "K" be given full effect for federal and state income tax purposes, and, in keeping with that intent, that the economic benefit or burden of each allocation be realized or borne by the Party or Parties to whom allocated. In furtherance of that objective, the Parties intend and agree that all those allocations will be reflected in the Party 's respective FMV capital accounts established pursuant to Section 2, and that, upon termination of the Partnership, each Party will receive a bona fide economic interest (including equitable ownership and title) in all remaining Partnership property and cash which is proportionate to the amount of such Party 's FMV capital account relative to the FMV capital accounts of all other Parties.

3.2 Tax Returns and Tax Basis Capital Account Allocations.

(a) Unless otherwise expressly provided herein, the allocations of Partnership items of income, gain, loss or deduction for tax return and tax basis capital account purposes shall be the same as those contained in Section 2.

(b) The Parties recognize that under Code section 613A(c)(7)(D), the depletion allowance is to be computed separately by each Party. For this purpose, each Party 's share of the adjusted tax basis of each oil and gas property shall be equal to its contribution to the adjusted tax basis of such property;

(c) The Parties recognize that under Code section 613A(c)(7)(D) the computation of gain or loss on the taxable disposition of an oil or gas property is to be computed separately by each Party. For this purpose, the portion of the total amount realized by the Partnership that represents a recovery of simulated adjusted basis in an oil and gas property will be allocated to the Parties in the same ratio that simulated depletion is allocated to them under Section 2.2(d). Any additional amount realized will be allocated in accordance with the ratio of simulated gain allocation for such property under Section 2.2(f).

(d) Depreciation shall be allocated to each Party in accordance with its contribution to the adjusted tax basis of the depreciable asset;

(e) Any recapture of depreciation, IDC, and any other item of deduction or credit shall, to the extent possible, be allocated among the Parties in accordance with their share of the depreciation, IDC or other item of deduction or credit which is recaptured;

(f) The qualified investment for investment tax credit purposes with respect to any property shall be allocated among the Parties in accordance with their respective contributions to the qualified investment (as defined in the Code) in such property; and

(g) For Partnership property which has a value in the FMV capital accounts which differs from the adjusted tax basis of such property, any tax items relating to such property will be allocated to the Parties in a manner which takes into account the variation between the adjusted tax basis of such property and its FMV capital account value under Code section 704(c).

SECTION 4
PARTNERSHIP ACCOUNTING

4.1 Method. For purposes of reporting on both federal and state Partnership returns, the Partnership will keep its accounts on the accrual method of accounting.

4.2 Taxable Year. The taxable year of the Partnership for purposes of reporting on both federal and state Partnership returns will be the calendar year.

4.3 Tax Returns. Federal and state Partnership income tax returns will be prepared and filed by the Operator covering the operations reportable by the Partnership. The Operator agrees to use its best efforts in the preparation and filing of those tax returns, acting on behalf of itself and the other Parties, but in doing so, the Operator will incur no liability to the Parties with regard to those returns or elections relating to those tax returns. The Operator shall establish and maintain FMV capital accounts and tax basis capital accounts for each Party. Operator shall submit to each Party along with a copy of any proposed Partnership income tax return an accounting of its respective capital accounts as of the period ending with such return.

Each Party agrees to timely furnish to Operator such information relating to the operations conducted under this Agreement as may be required for the proper preparation of such returns and capital accounts. The Operator will submit a draft of all federal and state income tax returns for the Partnership to all Parties for their review no later than 30 days prior to the filing of any tax return. Any and all correspondence relating to the preparation and/or filing of those returns should be mailed to the Operator at the following address, or to any other address as the Operator will direct:

Brooks Range Petroleum Corporation
510 L Street, Suite 601
Anchorage, AK 99501

4.4 Elections. The Operator, on behalf of the Partnership, has made or will make the following elections:

(a) To deduct as expenses intangible drilling and development costs in accordance with Section 263(c) of the Code and/or comparable provisions of state law;

(b) To compute depreciation and/or capital cost recovery allowances with respect to all depreciable property using the most accelerated method and the shortest depreciable useful life authorized by the Code and/or comparable provisions of state law, consistent with the maximization of the deductions and credits allowed under the Code and state law;

(c) To deduct as expenses all research and experimental expenditures in accordance with Section 174(a) of the Code and/or comparable provisions of state law;

(d) To deduct minimum advance royalties from gross income for the year the minimum advance royalties are paid or accrued;

(e) To amortize over 60 months all start-up costs in accordance with Section 195(b) of the Code;

(f) Solely for FMV capital account purposes, depletion shall be calculated by using simulated percentage depletion within the meaning of Treasury Regulations section 1.704-1(b)(2)(iv)(k)(2); and

(g) Any other Partnership elections that may be approved by unanimous agreement of the Parties.

4.5 Transfers.

(a) Each and every Party agrees that if any one of them makes a sale or assignment of all or any portion of its interest in the Partnership, such sale or assignment will be structured, if possible so as not to cause a termination under Section 708(b)(1)(B) of the Code. Any Party transferring all or any portion of its interest in the Partnership shall promptly notify the Operator of such transfer.

(b) If any Party transfers all or any portion of its interest in the Partnership, both the Party's and the transferee's distributive shares of Partnership items of income, gain, loss, deduction and credit will be precisely computed by an interim closing of Partnership books as of the date of transfer in accordance with Section 706 of the Code, the income tax regulations promulgated under the Code and/or comparable provisions of state law. If there is a transfer by a Party of any or all of its working interest in the Subject Lease whether an entire interest, a fractional undivided interest or otherwise, that transfer will be treated for federal and state income tax purposes as a sale by the transferor of an interest in the Partnership.

SECTION 5
PARTNERSHIP AUDITS

5.1 Designation of Tax Matters Partner. The Operator is designated tax matters partner ("TMP") as defined in Section 6231(a)(7) of the Code. In the event of any change in TMP, the Party serving as TMP for a given taxable year will continue as TMP with respect to all matters concerning that year. The TMP and other Parties will use their best efforts to comply with the responsibilities outlined in this Section 5 and in Sections 6222 through 6232 of the Code (including any Treasury regulations promulgated under the Code) and in doing so will incur no liability to any other Party. Notwithstanding TMP's obligation to use its best efforts in the fulfillment of its responsibilities, TMP will not be required to incur any expenses for the preparation for or pursuance of administrative or judicial proceedings unless the Parties agree on a method for sharing those expenses.

5.2 Notices. Within two weeks from the receipt of the TMP's request for information, the Parties will furnish TMP such information (including information specified in Sections 6230 (e) and 6050k of the Code). TMP may reasonably request information to permit it to provide the Internal Revenue Service with sufficient information to allow proper notice to the Parties in accordance with Sections 6223 and 6050k of the Code.

5.3 Inconsistent Treatment of Partnership Item. If any Party intends to file a notice of inconsistent treatment under Section 6222(b) of the Code, that Party shall, prior to the filing of that notice, notify the other Parties of the intent and the manner in which the Party's intended treatment of a Partnership item is (or may be) inconsistent with the treatment of that item by the Partnership. Within one week of receipt, the TMP shall remit copies of such notification to other Parties to the Partnership. If an inconsistency notice is filed solely because of a Party 's not receiving a Schedule K-1 in time for filing of its income tax return, the TMP need not be notified.

5.4 Extensions of Limitation Periods. The TMP will not enter into any extension of the period of limitations for making assessments on behalf of any other Party without first securing the written consent of that Party.

5.5 Requests for Administrative Adjustments. No Party will file, pursuant to Section 6227 of the Code, a request for an administrative adjustment of Partnership items for any Partnership taxable year without first notifying all other Parties. If all other Parties agree with the requested adjustment, the TMP will file the request for administrative adjustment on behalf of the Partnership. If unanimous consent is not obtained within 30 days, or within the period required to timely file the request for administrative adjustment, if shorter, any Party, including the TMP, may file a request for administrative adjustment on its own behalf.

5.6 Judicial Proceedings. Any Party intending to file a petition under Sections 6226, 6228 or other Sections of the Code with respect to any Partnership item, or other tax matters involving the Partnership, will notify the other Parties of that intention and the nature of the contemplated proceeding. In the case where the TMP is the Party intending to file

such petition, such notice shall be given within a reasonable time to allow the other Parties to participate in choosing the forum in which that petition will be filed. If a majority in interest of the Parties (determined in accordance with the percentage interest in the Partnership for the year under audit) does not agree on the appropriate forum, then the TMP will choose the forum. If any Party intends to seek review of any court decision rendered as a result of a proceeding instituted under the preceding part of this Subsection 5.6 that Party will notify the other Parties of that intended action.

5.7 Settlements. The TMP will not bind any other Party to a settlement agreement without obtaining the written concurrence of any Party who would be bound by that agreement. Any other Party who enters into a settlement agreement with the Secretary of the Treasury with respect to any Partnership items, as defined by Section 6231(a)(3) of the Code, will notify the other Parties of that settlement agreement and its terms within 90 days from the date of settlement.

5.8 Survival. The provisions of this Section 5 will survive the termination of the Partnership or the termination of any Party's interest in the Partnership and will remain binding on the Parties for a period of time necessary to resolve any and all matters regarding the federal or state income taxation of the Partnership.

SECTION 6
TERMINATION

6.1 Termination. Termination shall occur on the earlier of termination of the Partnership under Code section 708(b)(1) or the date upon which the Partnership ceases to be a going concern. Upon termination the business shall be wound-up and concluded, and the assets shall be distributed to the Parties as described below by the end of such calendar year (or, if later, within 90 days after the date of such termination). All assets shall be distributed to the Parties as provided in Subsections 6.2 through 6.4.

6.2 Reversion. First, all money representing unexpended contributions by any Party shall be returned to the contributor.

6.3 Balancing. Second, the FMV capital accounts of the Parties shall be determined under this Subsection 6.3. The Operator shall take the actions specified under this Subsection 6.3 in order to cause the ratio of the Parties' FMV capital accounts to reflect as closely as possible their interests under this Agreement. The ratio of Party 's FMV capital account is represented by a fraction, the numerator of which is the Party 's FMV capital account balance and the denominator of which is the sum of all Parties' FMV capital account balances. Such actions are hereafter referred to as "balancing the FMV capital account," and when completed, the FMV capital accounts of the Parties shall be referred to as being "balanced." The manner in which the FMV capital accounts of the Parties are to be balanced under this Subsection 6.3 shall be determined as follows:

(a) The fair market value of all Partnership properties shall be determined and the gain or loss for each property which would have resulted if a sale thereof at such fair market value had occurred shall be allocated in accordance with Subsection 2.2. If thereafter any Party has a negative FMV capital account balance, that is a balance less than zero, such Party shall contribute an amount of money to the Partnership sufficient to achieve a zero balance FMV capital account. Any Party may contribute an amount of money to the Partnership to facilitate the balancing of the FMV capital accounts. If FMV capital accounts are not balanced, Subsection 6.3(b) or (c) shall apply;

(b) If all Parties consent, any money or an undivided interest in certain selected properties shall be distributed to one or more Parties as necessary for the purpose of balancing the FMV capital accounts;

(c) Unless (b) above applies, an undivided interest in each and every property shall be distributed to one or more Parties in accordance with the ratios of their FMV capital accounts;

(d) If a property is to be valued under (a) above or distributed pursuant to (b) or (c) above, the fair market value of the property shall be agreed to by the Parties. In the event all of the Parties do not reach agreement as to fair market value of the property, the Operator shall cause a nationally recognized independent engineering firm to prepare an evaluation of fair market value of such property.

6.4 Final Distribution. Third, after the FMV capital accounts of the Parties have been adjusted, pursuant to Subsection 6.3 above, all other or remaining properties and interests then held by the Partnership shall be distributed to the Parties in accordance with their FMV capital account balances.

6.5 Effect of Distribution. The Parties specifically intend and agree that any distribution made under either Subsections 6.3 or 6.4 will confer upon the distributee the actual economic ownership and equitable title to all those properties distributed in respect of such distributee's Partnership capital account. If the title or form of ownership by which any Partnership property is held for purposes other than Partnership purposes, is different from that necessary to fully accomplish the foregoing intent, then all Parties agree to execute and deliver such deeds, bills of sale and other documents, and to take those other steps, as may be necessary or appropriate to secure to each Party the full economic ownership and title in that property to which that Party is entitled.

SECTION 7
AD VALOREM TAXES

7.1 Compliance Responsibility. The Operator will make and file with proper taxing authorities all necessary ad valorem tax renditions and returns and will settle all valuations and pay all taxes arising from those returns before they become delinquent. In

the case of Operations conducted by a Party other than the Operator, that Party will directly render and pay any and all ad valorem taxes accruing in connection with those Operations.

7.2 Information and Appeals. Each Party will promptly furnish the Operator with copies of all notices, assessments, levies or tax statements received by the Party pertaining to the taxes to be paid by the Operator. With respect to all property covered by ad valorem taxes, the Operator, upon request of any Party, will furnish that Party copies of all pertinent renditions and assessment notices and will keep that Party informed of all significant and usual matters, including without limitation, any protests or appeals of valuations which the Operator, at its sole discretion, may undertake. If the Operator considers any tax assessment improper, it may, at its sole discretion, protest within the time and manner prescribed by law, and pursue the protest to a final determination. During the pendency of administrative or approved judicial proceedings, the Operator may elect to pay, under protest, all those taxes and any interest and penalty for the joint account. When any protested assessment has been finally determined, the Operator will pay, for the joint account of all the Parties, any tax due together with any interest and penalty accrued; the total cost will then be assessed against the Parties, and be paid by them, as provided in this Exhibit "K". Nothing in this Exhibit "K" will be construed as prohibiting any Party at its own expense from contesting or appealing assessments, appraisals and/or valuations of its interests covered by this Agreement.

7.3 Allocation. Ad valorem taxes will be allocated to each lease or property in proportion to the taxing authorities' basis for assessment against each item. Such taxes shall be borne by the Parties in the same ratio as the Parties' contributions to the acquisition or construction of such property.

SECTION 8
TAXES IMPOSED ON PRODUCTION

Each Party receiving in kind or separately disposing of all or part of any produced hydrocarbons will pay or cause to be paid all production, excise, and other taxes imposed upon or with respect to the production or handling of those produced hydrocarbons and will indemnify all Parties, including the operator, against any liability for such payment.

EXHIBIT "L"

Attached to the Areawide AMI Joint Operating Agreement, dated effective 16th day of September, 2008, by and among Brooks Range Petroleum Corporation, as Operator, and AVCG, LLC, TG World Energy, Inc., Ramshorn Investments, Inc., Bow Valley Alaska Corporation, as Non-Operators

ARBITRATION PROCEDURE

1. For the purposes of these arbitration procedures:
"**Dispute**" means any dispute, controversy, or claim (of any and every kind or type, whether based on contract, tort, statute, regulation, or otherwise) arising out of, relating to, or connected with this Agreement, or the operations carried out under this Agreement, including but not limited to any dispute concerning the existence, validity, interpretation, performance, breach, or termination of this Agreement.

2. Any dispute by or any claim arising out of or relating to this Agreement shall be finally settled under the Revised Uniform Arbitration Act of the State of Alaska (the "Act") in force at such time, subject to the provisions set forth in Section 3 hereof. This Agreement shall be governed by the laws of the State of Alaska, excluding any choice of law rules which would refer the matter to the laws of another jurisdiction; the parties agree that a party who is not a party to this Agreement nor a permitted assignee, pledgee or chargee of a party has no right to enforce any term of this Agreement.

3. **The following provisions shall govern any arbitration initiated pursuant to Section 2:**

   a) The place of the arbitration shall be Anchorage, Alaska and the language of the arbitration shall be the English language.

   b) An award in arbitral proceedings in accordance with this Agreement shall be final and binding on the Parties and judgment thereon may be entered in any court having jurisdiction for that purpose.

   c) Subject to the provisions of Section 3(d) hereof, any Party (the "Originating Party") shall be entitled to give to the other Party (the "Recipient Party") notice in writing of such dispute and to request arbitration thereof (the "Arbitration Notice"), and such dispute shall be resolved by arbitration to be conducted in accordance with the Act and in the manner hereinafter set forth, namely:

      i) The Arbitration Notice shall state the nature of the dispute, the name of the arbitrator appointed by Originating Party, his address and calling,

accompanied with a copy of the proposed arbitrator's consent to accept the appointment.

ii) The Recipient Party shall, within fifteen (15) days of such notice choose their arbitrator and in writing notify the Originating Party, including the name, address and calling of the arbitrator appointed by the Recipient Party accompanied with a copy of the proposed arbitrator's consent to accept the appointment.

iii) If the Recipient Party fails to give a notice of selection of its arbitrator within the fifteen (15) day time period, as aforesaid, then upon the expiration of that time the arbitrator selected by the Originating Party shall be the sole arbitrator.

d) For the purposes of Section 3(c) hereof, if there are more than two Parties to the Dispute, all claimants shall jointly appoint one arbitrator and all respondents shall jointly appoint one arbitrator. If either all claimants or all respondents fail to make a joint appointment of an arbitrator, any Party may apply in accordance with the Act for an order appointing and naming an arbitrator to serve as a joint appointment of the claimants or respondents as applicable.

e) The arbitrators so selected shall appoint a third to serve as presiding arbitrator and if, within ten (10) days after the notice naming the second arbitrator, the two selected fail to agree, then either the Originating Party or the Recipient Party may apply in accordance with the Act for an order appointing and naming a third arbitrator to serve as presiding arbitrator.

f) All arbitrators shall be and remain at all times independent and impartial, and, once appointed, no arbitrator shall have any ex parte communications with any of the Parties to the Dispute concerning the arbitration or the underlying Dispute other than communications directly concerning the selection of the presiding arbitrator, when applicable. All arbitrators shall be qualified by education, training, or experience to resolve the Dispute.

g) The arbitrators shall determine the issue or issues of fact calling for determination by the arbitration proceedings. For the purposes of this Agreement, issues of fact shall include any necessary interpretation of provisions of this Agreement. The Recipient Party and Originating Party shall submit their respective positions within thirty (30) days of the appointment of the arbitrators.

h) The costs of any arbitrations under this Agreement shall be paid as directed by the arbitration award.

i) The Parties covenant that they will not apply nor will they have the right to apply by any means to any Court to challenge any findings or issues of act as determined by the arbitration, nor will they appeal or have any right of appeal to

any Court with respect to any such findings provided there was no bias or the arbitrators exceeded their jurisdiction.

j) The arbitration shall take place within sixty (60) days of the appointment of the arbitrators, and at the close of the formal arbitration hearing proceedings the claimant(s) and respondent(s) shall each provide to the arbitrators a final proposal for resolution of the issues in dispute (the "proposals").

k) The Parties waive their rights to claim or recover, and the arbitral tribunal shall not award, any punitive, multiple, or other exemplary damages (whether statutory or common law) except to the extent such damages have been awarded to a third party and are subject to allocation among the Parties to the Dispute.

l) Any Party to the Dispute may apply before the arbitral tribunal is appointed to a court for interim measures, including injunction, attachment, and conservation orders. The Parties agree that seeking and obtaining such court-ordered interim measures shall not waive the right to arbitration. The arbitrators (or in an emergency the presiding arbitrator acting alone in the event one or more of the other arbitrators is unable to be involved in a timely fashion) may grant interim measures including injunctions, attachments, and conservation orders in appropriate circumstances, which measures may be immediately enforced by court order. Hearings on requests for interim measures may be held in person, by telephone or video conference, or by other means that permit the Parties to the Dispute to present evidence and arguments. The arbitrators may require any Party to provide appropriate security in connection with such measures.

m) All negotiations, arbitration, and expert determinations relating to a Dispute (including a settlement resulting from negotiation or an arbitral award, documents exchanged or produced during an arbitration proceeding, and memorials, briefs or other documents prepared for the arbitration) are confidential and may not be disclosed by the Parties, their employees, officers, directors, counsel, consultants, and expert witnesses, except to the extent necessary to enforce any settlement agreement, arbitration award, or expert determination, to enforce other rights of a Party, as required by law or regulation, or for a bona fide business purpose, such as disclosure to accountants, shareholders, or third-party purchasers; provided, however, that breach of this confidentiality provision shall not void any settlement, expert determination, or award.

n) The Parties agree that the arbitration shall be a "baseball arbitration". The arbitrators' authority to decide issues defined and described in Section 3(c) hereof that are to be arbitrated under these Arbitration Procedures is solely to select one proposal from among competing proposals as provided in Section 3 hereof, and only from those proposals. The Arbitrators shall have no right or authority to modify, combine or change in any way any of the proposals, or to select an independent proposal developed by the arbitrators. The arbitrators shall select the proposal by majority vote of the arbitration members. The arbitrators shall issue a

written decision and any dissenting opinions if the vote is not unanimous, to the Parties. The decision shall clearly identify each proposal submitted, that single proposal selected, and clearly set forth the reasons for decision.

EXHIBIT M

Attached to the Areawide AMI Joint Operating Agreement, dated effective 16th day of September, 2008, by and among Brooks Range Petroleum Corporation, as Operator, and AVCG, LLC, TG World Energy, Inc., Ramshorn Investments, Inc., Bow Valley Alaska Corporation, as Non-Operators

FORM OF ASSIGNMENT

DO&G 25-84
(LEASE ASSIGNMENT)
Revised 12/01
DNR #10-113

LEASE ADL _____
EFFECTIVE DATE
OF LEASE _____
Is this lease producing? _____ yes _____no

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS

ASSIGNMENT OF INTEREST IN OIL AND GAS LEASE

The undersigned assignor _____,

whose address is _____,

as owner of _____ percent of the lease's working interest

does hereby assign to _____, the assignee,

whose address is _____,

1. _____ percent working interest;

2. _____ percent overriding royalty interest.

3. The assignor is retaining _____ percent of the lease's working interest.

4. The assignor is retaining _____ percent of overriding royalty interest.

5. **LANDS AFFECTED** by this assignment of interest (Attach Exhibit A if necessary)

T _____, **R** _____, _____ Meridian

containing _____ acres, more or less.

_____

The **Notification Lessee** for the purpose of receiving any and all notices from the State of Alaska in connection with the lease will be:
Name _____
Attn: _____ Address _____
_____ City, State, Zip _____
_____

We, the undersigned, request the approval of this assignment application. We attest that this application discloses all parties receiving an interest in the lease and that it is filed pursuant to 11 AAC 82.605 and 11 AAC 82.615. We further attest that all parties to this agreement are qualified to transfer or hold an interest in oil and gas leases pursuant to 11 AAC 82.200 and 11 AAC 82.205. Whether approved in whole or in part, the assignee agrees to be bound by the provisions of said lease.

Assignor's Signature _____ Date _____

Assignor's Name (Print or Type) & Title _____ Company Name _____

THE UNITED STATES OF AMERICA)
)SS.
STATE OF_____)

Qualification File # _____

This certifies that on the _____ day of _____, 20_____, before me, a notary public in and for the State of _____, duly commissioned and sworn, personally appeared _____, to me known and known to me to be the person described in, and who executed the foregoing assignment, who then after being duly sworn according to law, acknowledged to me under oath that he executed same freely and voluntarily for the uses and purposes therein mentioned. WITNESS my hand and official seal the day and year in this certificate first above written.

_____
Notary Public
My Commission expires _____

Assignee's Signature _____ Date _____

Assignee's Name (Print or Type) & Title _____ Company Name _____

THE UNITED STATES OF AMERICA)
)SS.
STATE OF_____)

Qualification File # _____

This certifies that on the _____ day of _____, 20_____, before me, a notary public in and for the State of _____, duly commissioned and sworn, personally appeared _____, to me known and known to me to be the person described in, and who executed the foregoing assignment, who then after being duly sworn according to law, acknowledged to me under oath that he executed same freely and voluntarily for the uses and purposes therein mentioned. WITNESS my hand and official seal the day and year in this certificate first above written.

_____
Notary Public
My Commission expires _____

APPROVAL

The foregoing assignment is approved as to the lands described in item 5 thereof, effective as of the date set forth below.

_____ _____
Kevin R. Banks, Acting Director
Division of Oil and Gas, DNR, State of Alaska

Effective Date of Assignment

EXHIBIT "O"

Attached to the Areawide AMI Joint Operating Agreement, dated effective 16th day of September, 2008, by and among Brooks Range Petroleum Corporation, as Operator, and AVCG, LLC, TG World Energy, Inc., Ramshorn Investments, Inc., Bow Valley Alaska Corporation, as Non-Operators

INSURANCE

Operator shall procure and maintain at reasonable rates, the following insurance:

(a) Workers Compensation Insurance and/or Longshoremen's and Harborworkers' Compensation Insurance with statutory limits for each jurisdiction in which any part of the Work is furnished;

(b) Employer's Liability Insurance with single limits of not less than $1,000,000 each accident/each disease – each employee/each disease;

(c) Commercial Automobile Liability Insurance covering all vehicles used in the operations of Operator with single limits of not less than $1,000,000 each occurrence and in the aggregate, such policy to be endorsed with MCS-90 when hazardous material transportation is involved;

(d) Commercial General Liability Insurance (including, but not limited to, blanket contractual liability) with combined bodily/personal injury, death and property damage single limits of not less than $1,000,000 each occurrence and in the aggregate; and

(e) any other insurance coverage that Operator may require from time to time in writing. In the event that such further insurance is, in Operator's reasonable opinion, unavailable or available only at an unreasonable cost, Operator shall promptly notify the Non-Operators in order to allow the Parties to reconsider such further insurance.

If Operator is engaged in watercraft operations, Operator shall also procure and maintain, at Operator's sole cost:

(a) Hull and Machinery Insurance with limits of not less than the greater of actual cash value or mortgage value of each vessel, owned or chartered by Operator and used in performing the Work with such insurance endorsed to include navigation limits sufficient to cover all Work sites and routes to and from such Work sites and including collision and tower's liability with the Sistership Clause unamended;

(b) Protection and Indemnity (P&I) Insurance with limits of not less than $1,000,000 in accordance with current International P&I Club Rules or their equivalent, with such insurance including collision and tower's liability with the Sistership Clause unamended, but only to the extent coverage is not included in other required insurance; and

(c) Pollution Liability Insurance with limits of not less than the greater of OPA 90 or $1,000,000, including Cleanup and Third Party Liability, with such insurance to be in compliance with all applicable laws and regulations and treat "in rem" actions against Operator vessels as actions against the Operator.